



Tri-Cities Airport Authority

Tri-Cities Airport, TN/VA

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017

Tri-Cities Airport Authority

Blountville, Tennessee

Jointly Governed by
Bristol, TN
Bristol, VA
Johnson City, TN
Kingsport, TN
Sullivan County, TN
Washington County, TN



Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017

Prepared by:
Accounting Department

TRI-CITIES AIRPORT AUTHORITY

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Introduction

- Vision and Mission
- Commissioners and Senior Staff
- Letter of Transmittal
- GFOA Certificate of Achievement
- Organization Chart



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Tri-Cities Airport Authority

Tri-Cities Airport, TN/VA

Vision

To be a premier air transportation center
and a catalyst for economic growth

Mission

To support economic growth by providing the best
available facilities and service for passengers,
air cargo, corporate and general aviation



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TRI-CITIES AIRPORT AUTHORITY

AUTHORITY COMMISSIONERS AND SENIOR STAFF

As of June 30, 2017

Authority Commissioners

Dr. Jon L. Smith, Chairman
Mr. Todd Hensley, Vice Chairman
Mr. William "Bill" Sorah, Secretary-Treasurer
Mr. J. Parker Smith, Assistant Secretary-Treasurer
Mr. Ken Maness
Mr. James "Jim" Rector
Mayor David Tomita
Mr. Dan Mahoney
Mayor Richard Venable
Mr. Eddie Williams
Mr. Mitch Meredith
Mayor Dan Eldridge

Airport Senior Staff

Patrick W. Wilson, Executive Director
Rene L. Weber, Director of Finance
David Jones, Director of Operations
Kristi Haulsee, Director of Marketing and Air Service Development
Kathy Yakley, Manager of Human Resources and Administrative Services
Mark Canty, Air Cargo and Trade Development Specialist



≈≈≈ Letter of Transmittal ≈≈≈

December 1, 2017

To the Members of the Tri-Cities Airport Authority:

This "Comprehensive Annual Financial Report" (CAFR) of the Tri-Cities Airport Authority for the year ended June 30, 2017 is hereby submitted. This report was prepared in accordance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by Blackburn, Childers & Steagall, PLC.

The Accounting Department of the Tri-Cities Airport Authority has prepared this report and assumes full responsibility for the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the proprietary fund of the Tri-Cities Airport Authority.

The CAFR was prepared using the guidelines set forth by the Government Finance Officers Association of the United States and Canada (GFOA) to be eligible for application of the Certificate of Achievement Award. The guidelines require management to provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a "Management Discussion and Analysis" (MD&A). This "Letter of Transmittal" should be read in conjunction with the MD&A that is located in the Financial Section.

REPORTING ENTITY

Effective September 25, 2012, the Tri-Cities Airport Authority ("Authority") came into legal existence pursuant to the laws permitting the creation of and defining the powers of regional airport authorities in the State of Tennessee. (See, Tennessee Code Annotated § 42-3-104 through § 42-3-119).

REPORTING ENTITY (CONTINUED)

The Authority is a public body, corporate and politic, and has a separate legal existence from the former Owners of the Tri-Cities Regional Airport, TN/VA ("Airport"), same being the City of Bristol, Virginia, the City of Bristol, Tennessee, the City of Johnson City, Tennessee, the City of Kingsport, Tennessee, Sullivan County, Tennessee, and Washington County, Tennessee ("Owners"). The Tri-Cities Airport Commission, which operated and managed the Airport for the Owners, has been transitioned to the Authority, which is governed by the Board of Commissioners of the Authority. On August 25, 2016 the Authority adopted a new logo for the Airport and also deleted Regional from the Airport name such that the Airport is now known as the Tri-Cities Airport.

All real and personal property, other assets, contracts, agreements, leases, grant assurances, and most other legal obligations of the Owners and the Tri-Cities Airport Commission related in any manner to the Airport were assumed, adopted and ratified, unconditionally, by the Authority. The Authority has also assumed and adopted all rules, regulations, and procedures which are in place to operate the Airport.

The Tri-Cities Airport Authority was created and is governed by a Board of Commissioners appointed by six cities and counties. The Airport Authority is charged with the responsibility of directing the development, operation, maintenance, control and administration of the Tri-Cities Airport.

The Airport Authority is composed of a twelve member Board of Commissioners; each with one vote. Each entity is entitled to appoint a specified number of Board Members as follows:

Governmental Entity	Representation
Washington County, Tennessee	3 Board Members
City of Johnson City, Tennessee	3 Board Members
Sullivan County, Tennessee	2 Board Members
City of Kingsport, Tennessee	2 Board Members
City of Bristol, Tennessee	1 Board Member
City of Bristol, Virginia	1 Board Member

The officers of the Authority consist of a Chairman, Vice-Chairman, a Secretary-Treasurer, and an Assistant Secretary-Treasurer. The Authority currently has five standing committees. These committees are advisory in nature but are authorized to make decisions that are binding on the full Authority with prior approval by the Authority. The current committees are: Executive, Administration/Operations, Marketing, Airfield Development, and the Air Cargo and Trade Development.

MANAGEMENT

The Airport Authority hires an Executive Director to head up the management of the Airport. The Executive Director oversees a staff of 42 full-time employees, as of June 30, 2017. The staff is responsible for the day-to-day administrative, financial, operational and personnel matters relating to the Tri-Cities Airport.

There are eleven departments overseeing the activities at the Tri-Cities Airport. The executive Director, Patrick Wilson, heads the administrative department and oversees the operations, marketing, finance and air cargo and trade development departments.

MANAGEMENT (CONTINUED)

David Jones, Director of Operations, oversees the access control, janitorial, maintenance, public safety and engineering services departments. The operations department also ensures that the Airport complies with FAA standards and regulations. The operations department is responsible for preparing state and federal grant applications and coordinates the efforts of engineering, consultants, and others to complete the design and construction of all capital improvement projects at the Airport.

Rene Weber, Director of Finance, oversees all accounting functions, including the Airport's budgets, audits, payables, receivables, payroll and all financial reporting. All financial obligations and/or indebtedness are handled in the finance department.

Kristi Haulsee, Director of Marketing and Air Service Development, oversees the marketing department, handling advertising, public and airline relations and marketing the Airport to passengers and prospective airlines. She also works to market TRI Aerospace Park, the Airport's new business park. She also oversees the Airport Services staff, supervised by Karen Weaver, who assist passengers in the terminal, handle phone inquiries and conduct tours.

Kathy Yakley, Manager of Human Resources and Administrative Services, is responsible for employee relations and benefits, retirement programs and property administration.

Mark Canty, Air Cargo and Trade Development Specialist, is responsible for promoting air cargo, administration of Foreign Trade Zone No. 204, development and maintenance of programs and initiatives designed to foster international trade, and marketing and promotion of the U.S. Customs station within the Tri-Cities Region. He also works to market TRI Aerospace Park.

THE AIRPORT TODAY

Tri-Cities Airport is centrally located between the Tennessee cities of Bristol, Kingsport, Johnson City, and Bristol, Virginia and serves Northeast Tennessee, Southwest Virginia and parts of North Carolina and Kentucky. The Tri-Cities region is strategically located within a day's drive of more than 70 percent of the nation's population.

The region offers a wide range of market benefits including a 60-mile trade population of approximately 1 million, a large manufacturing sector, exceptional interstate highway network and 27 regional industrial parks.

The Airport's property covers approximately 1,250 acres of land, 89 acres in easements, and an 113,532 square-foot passenger terminal building with seven gates, ample short-term and long-term parking, passenger services, national rental car brands, restaurant/bar/gift shop, business center and free wireless internet.

A 13,000 square-foot Air Cargo Logistics Center houses US Customs and Border Protection Port #2027 and Foreign-Trade-Zone #204. The site includes a 5 acre cargo apron with a 75-foot-wide taxiway system and speculative building space. TRI Aerospace park, a 160 acre development area with direct airfield access and direct municipal water, sewer, gas and electric utilities lies adjacent to the Logistics Center.

THE AIRPORT TODAY (CONTINUED)

TRI Aerospace Park is key to the continued development of the south side of the airfield. TRI Aerospace Park was recently certified by the State of Tennessee as part of the Select Tennessee program through the Tennessee Department of Economic and Community Development. This certification provides assurance to potential aviation-related businesses and developers that the site has no significant environmental issues, has all utilities in place, and is ready for building. TRI Aerospace Park is presently the only Select Tennessee Certified Site with direct runway access.

Port #2027, a federally staffed, full-service customs station, allows for passengers and imported goods to clear Customs in the Tri-Cities and avoid congestion and delays common at larger Ports of Entry.

A fixed based operator (FBO) is housed on Airport property to accommodate private and corporate aircraft operations. The FBO serves as the point-of-entry for customers who are not using commercial airline service and provides aircraft storage, fuel and maintenance services.

The Tri-Cities Airport Authority maintains two websites to provide travelers and the general public current and updated information on the Tri-Cities Airport's operations and to promote the TRI Aerospace Park development. The websites are:

Triflight.com
Triaerospacepark.com

ECONOMIC CONDITIONS AND OUTLOOK

Airport

As the physical link between passengers and the air transportation network, the Airport Authority strives to provide air service to meet passenger demand. Historically, Tri-Cities' passenger base has been business oriented, and that trend is expected to continue. However, with the addition of low fare service on large jet equipment to Florida destinations, the percentage of leisure traffic has grown.

TRI offers three scheduled airlines serving passengers through four connecting hubs and leisure destinations. Delta Air Lines provides service to Atlanta, American Airlines serves Charlotte, and Allegiant offers service to Orlando and St. Petersburg/Clearwater.

Passengers traveling on business account for approximately 55-60 percent of TRI's customer base. While that percentage has varied through the years depending on fare levels, TRI's air service and fare structure continue to be geared toward business travel, providing the stability to weather economic downturns. However, with a business market and only two network carriers, TRI is subject to higher fares and potentially vulnerable to airline bankruptcies and mergers.

During the 2017 fiscal year, passenger aircraft load factors decreased by 5.1 percent over the previous year. The number of available aircraft seats increased 2.2 percent and passenger traffic decreased 4.4 percent below FY 2016 levels. Comparatively, FY 2016 reflected decreases of 3.2, 1.8 and 1.3 percent in passenger traffic, load factors and available seats over the previous year.

ECONOMIC CONDITIONS AND OUTLOOK (CONTINUED)

Airport (Continued)

The aviation industry is particularly challenging for small airports due to mergers, high fuel costs, and the move away from expensive regional jet aircraft toward larger jets with fewer frequencies. While the larger jets are comfortable and popular with passengers, the reduced number of flights can impact customer convenience. The number of available seats at TRI remains relatively flat, but passengers have fewer flights from which to choose. The larger aircraft can accommodate large groups traveling together, which is a benefit to TRI and provides first class cabin service.

Over the past five years, the airline industry has been subject to several airline bankruptcies and mergers, resulting in the reduction of large network carriers, connecting hubs and competition to put downward pressure on fares. With recent approval of the US Airways/American Airlines merger, only three network carriers will remain: Delta Airlines (merged with Northwest Airlines), United Airlines (merged with Continental) and American Airlines (merged with US Airways). TRI currently has Allegiant, Delta and American service. The Airport will continue to work toward increasing air service options for TRI travelers.

National and Local Economy

The Tri-Cities Airport Authority uses quarterly data produced by the East Tennessee State University Bureau of Business and Economic Research to monitor national and regional economic conditions. The following information was obtained from reports released by this organization.

Retail performance continued positive in the three cities during the fourth quarter of 2016. The Cities of Bristol and Johnson City reflected increases compared to 2015 data of 2.2 and 2.4 percent, respectively, while the City of Kingsport reflected a decrease of 1.7 percent compared to 2015 data. Overall, retail volume rose 1.4 percent in the metro area during the October to December quarter compared to 1.8 percent increase in Tennessee and a 2.1 percent in the United States for the same period.

Employment levels in the metro area grew in the fourth quarter of 2016 by 2.1 percent. Over the October to December period, the jobless rate for the Tri-Cities Consolidated Statistical Area (CSA) was 5.2 percent, compared to 5.4 percent a year earlier.

Generally, national and local economic improvements support passenger increases in air travel. Thus, the performance of the local economy; which, while positive, has lagged behind the national and statewide trends; did not provide support for increased passenger numbers at TRI in fiscal year 2015.

CAPITAL PLANNING

Through the Airport's master planning process, the Authority lays out a Capital Improvement Program on a rolling five-year basis. Most of these projects are funded from federal and state grant funds generated from federal and state aviation user fees. A Capital Improvement Program is prepared annually for a five-year period outlining project descriptions and funding sources. Priorities are set in conjunction with the Airport's Master Plan. The priorities for FY 2017 were as follows:

- 1) Safety and security for all users of the Airport;
- 2) Projects deemed to meet air carrier passenger needs and demands;
- 3) Projects deemed to meet demands of general aviation, corporate, and cargo users;
- 4) Implement projects that will generate new revenue sources; and,
- 5) Implement projects that will maximize all sources of funding availability.

FINANCIAL INFORMATION

Internal Controls

Management of the Tri-Cities Airport Authority is responsible for establishing and maintaining an internal control structure designed to ensure that: (i.) the assets of Tri-Cities Airport Authority are protected from loss, theft or misuse; (ii.) to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles; and, (iii.) that federal financial assistance programs are managed in compliance with applicable laws and regulations.

The Airport Authority applied the concept of reasonable assurance in establishing internal controls. These assurances recognize that: (i.) the cost of a control should not exceed the benefits likely to be derived; and (ii.) the valuation of costs and benefits requires estimates and judgments by management.

As part of the Tri-Cities Airport Authority's single audit, tests were made of the Airport Authority's internal control structure and of its compliance with applicable laws and regulations, including those related to federal financial assistance programs. Although an opinion on the Airport Authority's internal control system or its compliance with laws and regulations was not given, the audit for the year-ended June 30, 2017 disclosed no material internal control weaknesses or material violations of laws and regulations.

Operating Budget

An annual operating budget is prepared and approved by the Tri-Cities Airport Authority. All appropriations for operating expenditures lapse at the end of the fiscal year and must be appropriated for the following year. A Capital Projects Budget is approved annually with the appropriated funds remaining intact until completion of the project.

The Tri-Cities Airport Authority continues to meet its responsibility for sound financial management. The Airport Authority is self-supporting through user fees of the Airport and has not received local tax dollars since 1967.

CASH MANAGEMENT POLICIES

The Investment Policy of the Airport Authority sets the criteria for surplus funds. The Airport Authority consolidates cash balances from all funds to maximize investment earnings. The primary objectives of investment activities are safety, liquidity, and yield.

The Tri-Cities Airport Authority is authorized to make direct investments in bonds, notes or treasury bills of the U. S. Government and obligations guaranteed by the U. S. Government or any of its agencies. These investments may not have maturity greater than two years, except as set out in Tennessee state law. Investments may also be made in the Tennessee State Pooled Investment Fund and in repurchase agreements with state approval.

RISK MANAGEMENT

The Tri-Cities Airport Authority is fully insured and carries insurance coverage with commercial insurance carriers in amounts sufficient to meet the Airport Authority's reasonable exposure. All tenants and lessees are required to carry specified amounts of insurance coverage, naming the Airport Authority as an additional insured. All contractors engaged in construction projects are required to meet minimum requirements as specified in the bid documents.

OTHER INFORMATION

Independent Audit

As required by state statutes, the Tri-Cities Airport Authority requires an annual independent audit by a Certified Public Accountant. The selection is administered by the Administration/Operations Committee with final approval by the full Authority. The firm of Blackburn, Childers & Steagall, PLC was selected to perform the independent audit for the year ending June 30, 2017. The audit is also used to meet the requirements and all revisions of the federal Single Audit Act of 1984, and the related Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Generally accepted auditing standards were used by the auditors in conducting their audit.

The auditor's report on the financial statements is included in the Financial Section of this report. The independent auditor's report on internal controls and compliance with applicable laws and regulations are located in the Internal Control and Compliance Section.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Tri-Cities Airport Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2016. This was the 17th consecutive year that the airport has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

OTHER INFORMATION (CONTINUED)

Acknowledgements

We would like to take this opportunity to thank the Airport Authority for their leadership and support in planning and conducting the financial operations of the Airport. We would also like to recognize the efforts of the senior staff, David Jones, Kristi Haulsee, Kathy Yakley, and Mark Canty for their contributions to this financial report. A special thanks is given to the accounting department staff, Janice Lynch and Tim Cartwright for their hard work and dedication.

Respectfully submitted,



Patrick W. Wilson
Executive Director



Rene L. Weber
Director of Finance

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Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Tri-Cities Airport Authority
Tennessee**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

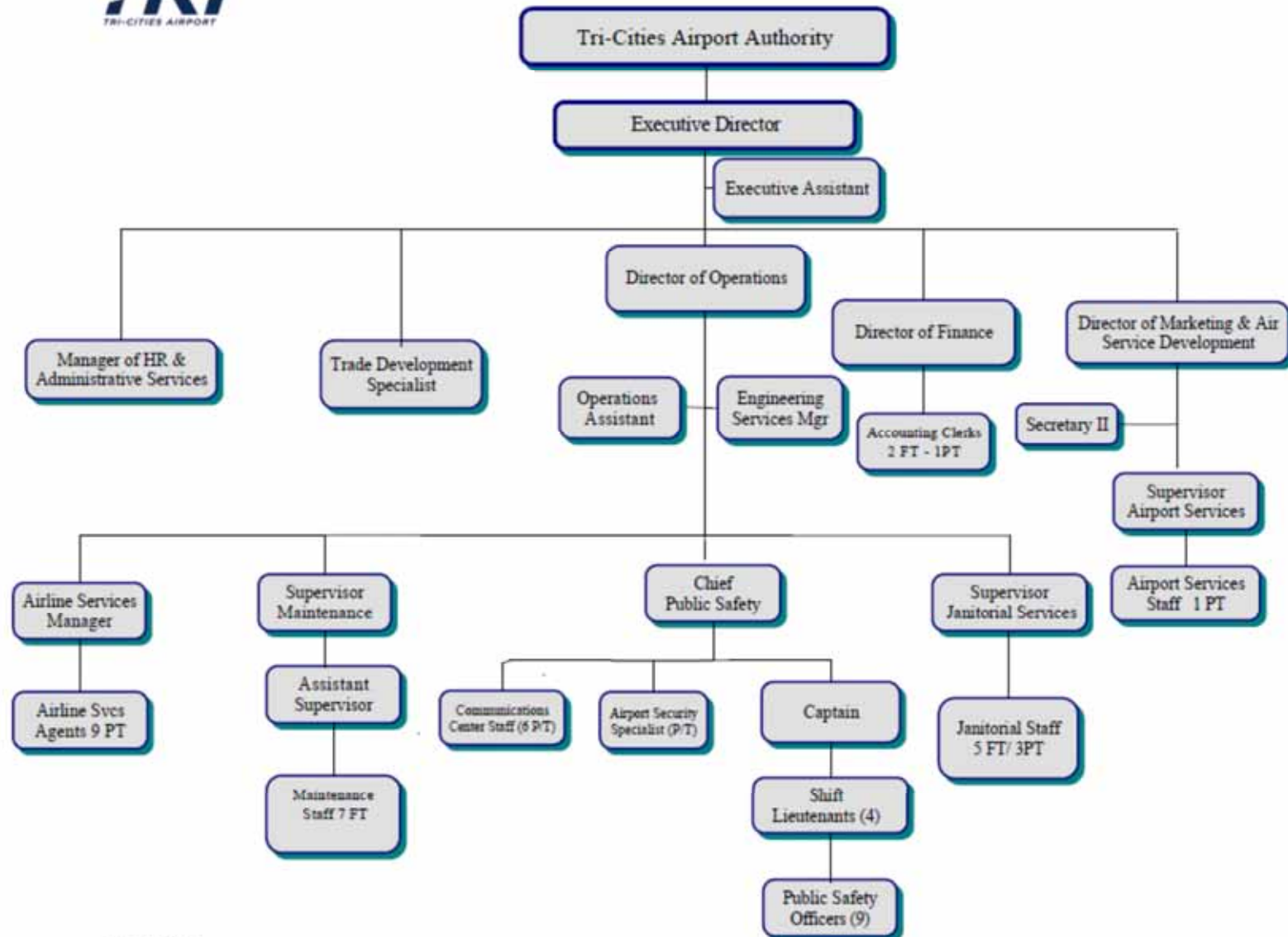
A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is written in a cursive, flowing style.

Executive Director/CEO

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TRI-CITIES AIRPORT AUTHORITY ORGANIZATION CHART



August 2016

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Financial

- Independent Auditors' Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Required Supplemental Information
- Supplemental Schedules



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Tri-Cities Airport Authority
Blountville, Tennessee

Basic Financial Statements

And

Supplemental Information

For the Fiscal Year Ended June 30, 2017



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INDEPENDENT AUDITORS' REPORT

To the Honorable Commissioners
of the Tri-Cities Airport Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Tri-Cities Airport Authority, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Tri-Cities Airport Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Honorable Commissioners
of the Tri-Cities Airport Authority
Independent Auditors' Report

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Tri-Cities Airport Authority as of June 30, 2017, and the changes in financial position and cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedules of Changes in Tri-Cities Airport Authority's Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plans of TCRS, and the Schedules of Tri-Cities Airport Authority's Contributions Based on Participation in the Public Employee Pension Plans of TCRS on pages 26 - 35 and pages 73 - 76, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Tri-Cities Airport Authority's basic financial statements. The introductory section, supplemental schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as included in the supplemental schedules, is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The Schedule of Passenger Facility Charges, Investment Income and Related Expenditures, as included in the supplemental schedules, is presented for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and is also not a required part of the basic financial statements.


To the Honorable Commissioners
of the Tri-Cities Airport Authority
Independent Auditors' Report

The Schedule of Expenditures of Federal Awards, the Schedule of Passenger Facility Charges, Investment Income and Related Expenditures, and the other supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards, the Schedule of Passenger Facility Charges, Investment Income and Related Expenditures, and the other supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2017, on our consideration of the Tri-Cities Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Tri-Cities Airport Authority's internal control over financial reporting and compliance.


BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

December 1, 2017

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

The following Management’s Discussion and Analysis (MD&A) of the Tri-Cities Airport, TN/VA’s activities and financial performance provides an overview of the Tri-Cities Airport Authority’s basic financial statements for the fiscal year ended June 30, 2017. The Tri-Cities Airport Authority is the governing entity operating the Tri-Cities Airport, TN/VA as of June 30, 2017. In August of 2016 the Tri-Cities Airport Authority approved a change in the name of the airport from Tri-Cities Regional Airport to Tri-Cities Airport and a new logo for the Airport. This MD&A should be read in conjunction with the “Letter of Transmittal” included in the Introductory Section and the Authority’s financial statements following this section.

Overview of the Financial Statements

This annual report consists of four parts: *(i.)* Introductory; *(ii.)* Financial; *(iii.)* Statistical Schedules; and *(iv.)* Internal Control and Compliance.

The Tri-Cities Airport Authority is a special-purpose government with only business-type activities. The Basic Financial Statements include proprietary fund financial statements, which offer short-term and long-term financial information about the activities of the Tri-Cities Airport Authority.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by required supplementary information and other schedules that further explain and support the information in the basic financial statements.

Required financial statements include the: *(i.)* Statement of Net Position; *(ii.)* Statement of Revenues, Expenses and Changes in Net Position; and, *(iii.)* Statement of Cash Flows. The financial statements are prepared using the accrual basis of accounting and economic resources measurement focus. All assets and liabilities, both financial and capital, and short-term and long-term are recorded. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of timing of related cash flows. The accompanying notes to the financial statements enhance the reader’s understanding of the Airport Authority’s accounting policies.

Airport Activity Highlights

Airport Passenger Activity during FY 2017 decreased by 4.4 percent compared to FY 2016 due to economic conditions making vehicular travel less expensive and flight schedule changes by two of the three airlines operating at Tri-Cities Airport. Total aircraft operations decreased by 7.2 percent. Aircraft landed weights and airline seating capacity increased by 2.4 percent and 2.2 percent, respectively, as airlines began utilizing larger aircraft in the scheduled flights. Air Cargo activity decreased 1.8 percent due to slightly less activity by air cargo vendors and passenger carriers.

The following table shows the increases and decreases from the previous fiscal year.

Activity	FY 2017	FY 2016	% of Change
Passengers	405,556	424,170	-4.4%
Aircraft Operations	42,953	46,274	-7.2%
Aircraft Landed Weights (lbs.)	256,269	250,329	2.4%
Seating Capacity	543,030	531,576	2.2%
Mail	424	846	-49.9%
Air Freight	35,122	35,774	-1.8%

The following airlines are serving Tri-Cities Airport, TN/VA:

Delta Connection offers the majority of flights and seats at TRI. Delta provides an average of eight flights per day to Atlanta aboard 50 seat Canadair regional jets as well as B-717's and MD-88's with up to 166 seat capacity.

US Airways Express has an average of five flights per day to Charlotte aboard 50-passenger Embraer and Canadair regional jets and the de Havilland Dash 8 turboprop seating 50 passengers.

Allegiant Air provides low fare service to Orlando and St. Petersburg/Clearwater aboard 150 plus seat MD-86 and A-320 jets.

Financial Position

The overall financial position of the Airport Authority declined with a 1.3 percent decrease in total net position. This decrease was primarily due to the completion of several large construction projects which resulted in higher charges to depreciation and amortization and less capital contributions received in the fiscal year ending June 30, 2017.

Operating income, before depreciation and amortization, decreased by 9.8 percent over fiscal year 2016 due to a 3.2 percent increase in operating revenues and a 4.1 percent increase in operating expenses. The operating revenue categories reflecting the largest increases in fiscal year 2017 compared to 2016 were Airline revenues and Parking revenues.

Capital contributions received from federal and state grants were \$3.784 million less than in the last fiscal year.

Summary of Changes in Net Position

	Fiscal Year Ended June 30,	
	2017	2016
Operating Revenues	\$ 6,806,062	6,593,732
Operating Expenses	6,430,436	6,177,281
Operating Income Before Depreciation	375,626	416,451
Less: Depreciation	5,451,093	4,827,993
Operating Loss	(5,075,467)	(4,411,542)
Non-Operating Revenues (Expenses)	1,172,161	1,225,176
Loss before Capital Contributions	(3,903,306)	(3,186,366)
Capital Contributions	2,710,960	6,495,422
Change in Net Position	\$ (1,192,346)	3,309,056

Operating and Non-Operating Revenue Highlights

Operating revenues are generated from the tenants and/or “users” of the Airport through airfield charges, terminal rents, concession revenue, parking fees, and other sources.

Non-operating revenue is made up of unrestricted and restricted funds. Unrestricted revenue comes from interest income, investment gains, and other sources not resulting from operations. The restricted revenue is generated for a defined purpose and cannot be used to fund operating expenses. The current restricted revenues are Passenger Facility Charges and Customer Facility Charges.

The Airport Authority develops an operating budget and capital improvement budget each year. Operating revenues are generated to first fund operating expenses. Any net operating revenues are then transferred to the reserve accounts to fund the Airport’s portion of capital projects. Any net revenues after capital projects are placed in the operating reserve.

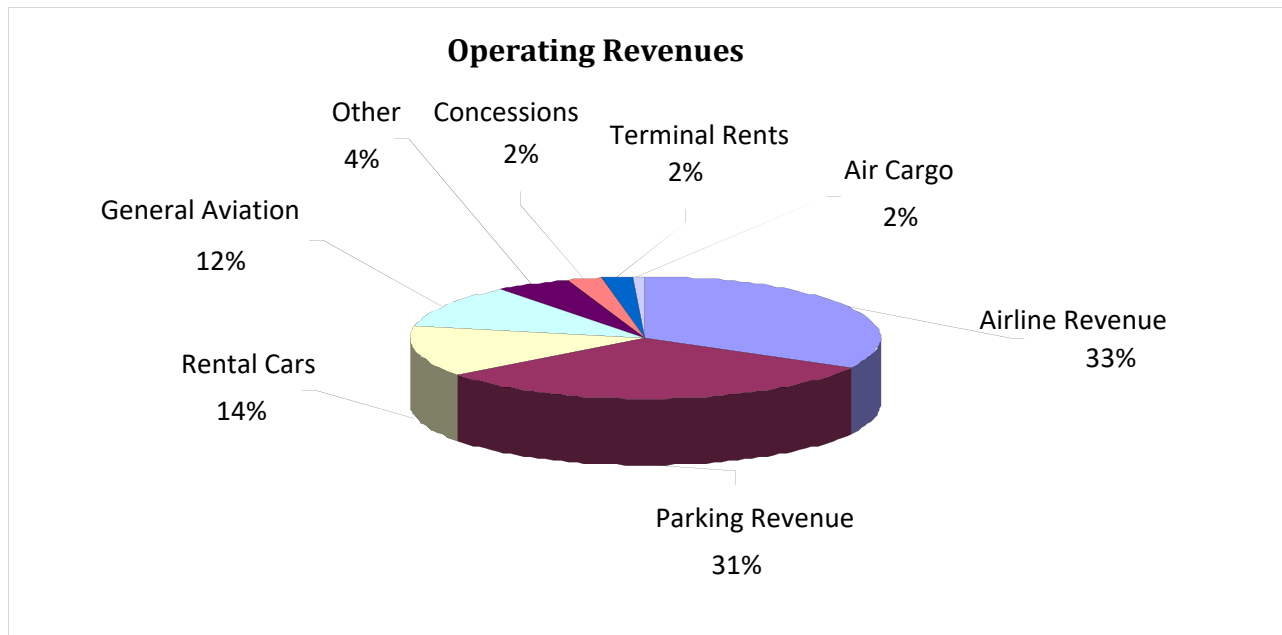
Operating and Non-Operating Revenue Highlights (Continued)

The following schedule presents a summary of revenues for the fiscal years ended June 30, 2017 and 2016:





	Fiscal Year Ended June 30,	
	2017	2016
Operating Revenues		
Airline Revenue	\$ 2,264,730	2,170,760
General Aviation	819,540	791,583
Air Cargo	97,491	96,478
Parking	2,121,611	2,073,285
Rental Cars	973,619	953,139
Concessions	113,867	111,062
Terminal Rents	124,689	120,991
Other	290,515	276,434
Total Operating Revenues	6,806,062	6,593,732
Non-Operating Revenues		
Interest Income	14,145	13,068
Proceeds on Sale of Assets	5,181	8,329
Passenger Facility Charges	806,322	846,289
Customer Facility Charges	402,200	416,225
Total Non-Operating Revenues	1,227,848	1,283,911
TOTAL REVENUES	\$ 8,033,910	7,877,643
Capital Contributions		
Federal Grant Revenue	\$ 2,226,418	3,378,077
State Grant Revenue	280,904	3,117,345
Other Capital Contributions	203,638	-
Total Capital Contributions	\$ 2,710,960	6,495,422

Operating and Non-Operating Revenue Highlights (Continued)

The following chart shows the sources of operating revenue and percentage of operating revenues for the fiscal year ended June 30, 2017.



Operating Revenues increased by \$212,330 or 3.2% from \$6,593,732 in fiscal year 2016 to \$6,806,062 in fiscal year 2017.

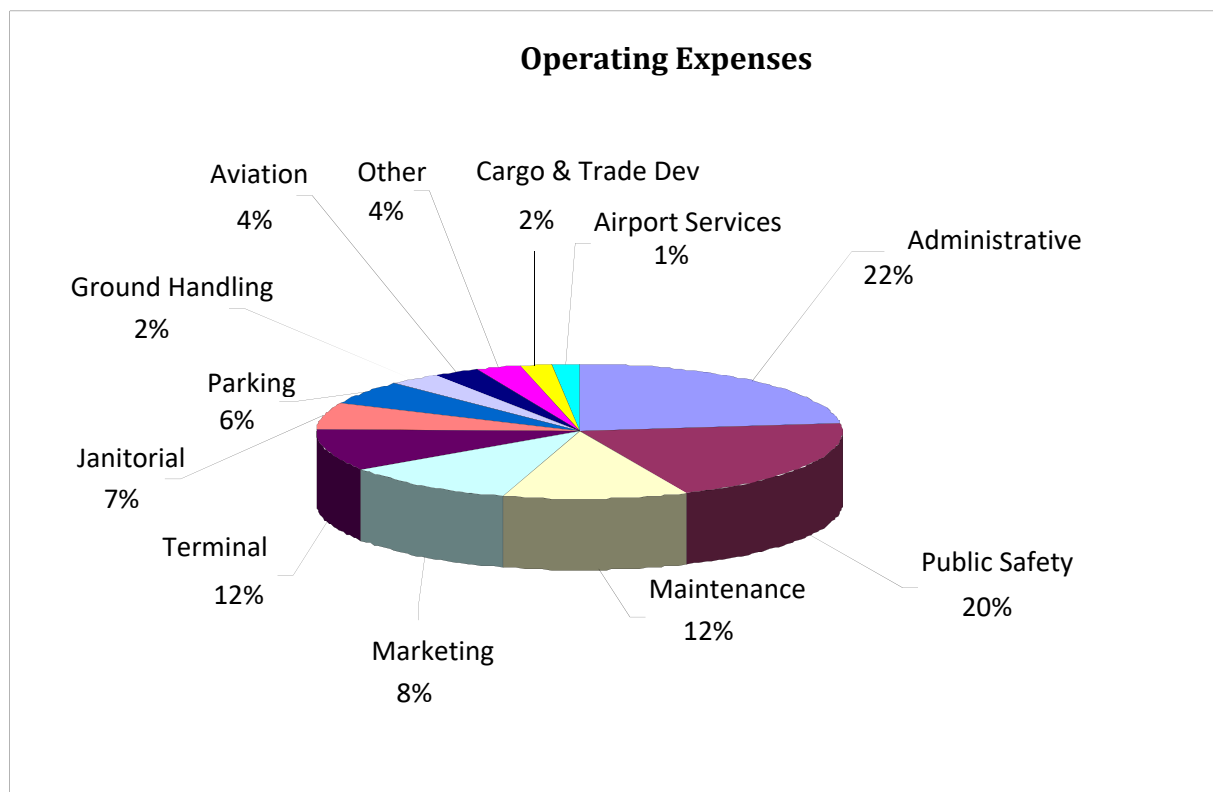
-  Airline revenue increased by 4.3% or \$93,970 more than fiscal year 2016.
-  General Aviation revenue increased by 3.5% or \$27,957 more than fiscal year 2016.
-  Parking revenues increased by 2.3% or \$48,326 more than fiscal year 2016.
-  Rental Car revenue increased by 2.2% or \$20,480 more than fiscal year 2016.

Operating Expenses

The following schedule presents a summary of expenses for the fiscal years ended June 30, 2017 and 2016:





Operating Expenses	2017 Amount	2016 Amount	Change from 2016	Percent Change from 2016
Administrative	\$ 1,416,433	1,376,531	39,902	2.9%
Public Safety	1,277,912	1,176,088	101,824	8.6%
Maintenance	785,025	721,190	63,835	8.8%
Terminal	722,508	679,005	43,503	6.4%
Marketing	532,549	529,902	2,647	0.5%
Janitorial	420,171	397,841	22,330	5.6%
Parking	350,146	416,953	(66,807)	-16.0%
Ground Handling	155,480	156,373	(893)	-0.5%
Cargo and Trade Dev.	151,575	144,430	7,145	4.9%
Other	283,592	226,632	56,960	25.1%
Aviation	259,177	279,083	(19,906)	-7.1%
Airport Services	75,868	73,253	2,615	3.5%
Total Operating Expenses	\$ 6,430,436	6,177,281	253,155	4.1%

The following pie chart shows the Airport Authority's expenses by category and the percentage of operating expenses for the fiscal year ended June 30, 2017.



Operating Expenses Highlights

Operating Expenses increased 4.1% or \$253,155 as compared to the previous year. Variation analysis of the Operating Expenses revealed:

-  Public Safety expenses increased by \$101,824 or 8.6% compared to fiscal year 2016 as a result of increased personnel and benefit costs as well as increased maintenance costs on equipment.
-  Maintenance expenses increased by \$63,835 or 8.8% compared to fiscal year 2016 due to increased personnel and benefit costs as well as increased repairs and maintenance costs.
-  Other expenses increased by \$56,960 or 25.1% compared to fiscal year 2016 as a result of increased personnel and benefit costs in engineering and increased marketing activity in the AeroSpace Park development.
-  Terminal Area expenses increased by \$43,503 or 6.4% compared to fiscal year 2016 as a result of increased repair costs for building maintenance and increased costs for utilities.

Financial Position Summary

The Statement of Net Position presents the financial position of the Airport at the end of the fiscal year. The statement includes all assets, deferred outflows, liabilities and deferred inflows of the Airport. Net position is the difference between the total assets and deferred outflows of resources, and the total liabilities and deferred inflows of resources.

A condensed summary of the Airport Authority's total net position for the fiscal years ended June 30:

	Fiscal Year Ended June 30,	
	2017	2016
Current Assets	\$ 3,739,680	6,360,569
Capital Assets (net)	88,021,069	88,693,836
Noncurrent Assets	2,848,299	3,144,533
Total Assets	94,609,048	98,198,938
Deferred Outflows of Resources	614,227	324,738
Current Liabilities	1,701,109	3,599,974
Noncurrent Liabilities	2,759,388	2,983,107
Total Liabilities	4,460,497	6,583,081
Deferred Inflows of Resources	209,708	195,179
Net Investment in Capital Assets	85,937,154	84,574,383
Restricted	806,721	1,808,123
Unrestricted	3,809,195	5,362,910
Total Net Position	\$ 90,553,070	91,745,416

Airline Rates and Charges

The Airport Authority establishes airline rates and charges based on an annual review of projected airline activity and associated operating expenses. The Authority's rate setting philosophy incorporates a terminal rental rate calculated in a compensatory manner, in which the tenants pay only for their share of the facility occupied and used. The landing fee is based on an airfield residual cost center approach wherein the passenger and cargo carriers pay the net costs of the airfield, after receiving credit for airfield-related general aviation revenues. The Airport Authority evaluates Rates and Charges on an annual basis. In June 2016 the Airport Authority established the following rates and charges to be in effect for the fiscal year beginning July 1, 2016 and ending June 30, 2017.

Signatory Airline Rates and Charges (FY 2017)

Terminal Square Foot Rate per year	\$35.73
Landing Fee (per 1,000 lbs. MGLW)	\$ 2.49
Apron Fee, per Turn	\$11.18
Passenger Loading Bridge Per Use	\$18.00
Public Safety Reimbursement	50% of Public Safety Budget

Capital Acquisitions and Construction Activities

During fiscal year 2017, several capital improvement projects were started and completed. Listed below are some of the major projects.

Completed Projects

In FY 2017 the Tri-Cities Airport Authority achieved substantial completion of two large projects: the installation of the Gate 6 Passenger Boarding Bridge project and the General Aviation Ramp Expansion and Rehabilitation – Phase 2 project. Due to the scope of these projects, which were started in fiscal year 2015, work continued on them in fiscal year 2017.

The installation of the Gate 6 Passenger Boarding Bridge project was completed and the bridge will facilitate loading/unloading passengers and accommodate the airport's design fleet of aircraft in the Master Plan. The project included new apron foundations, electrical and access control improvements, concourse gate interior finish upgrades and the installation of a new Gate 6 passenger boarding bridge.

The General Aviation Ramp Expansion and Rehabilitation – Phase 2 project construction portion was completed and went into the close out phase. The project consisted of grading an area adjoining the existing apron to expand the capacity of the apron and also included a public parking extension and the re-alignment of the underground utilities impacted by the grading. The project also included the asphalt paving of the airport's tug drive and the removal of existing apron asphalt under the fuel trucks and large GA aircraft and replacing it with concrete apron to serve the fuel trucks and large GA aircraft parking locations.

Current Projects

Projects began in fiscal year 2016 or earlier on which work continues include:

Terminal Access Roadway Improvements - Phase 2 project continues and should be completed by the end of December 2017. The project includes roadway signage, sidewalk demolition and replacement, concrete curb and gutter installation, and the addition of terminal barrier bollards.

The Public Parking Lot Improvements – Phase 2 project continues and should be completed by the end of December 2017. The project includes relocation of FAA cables, storm sewer installation, passenger cell phone waiting lot and landscaping.

The General Aviation Expansion and Rehabilitation – Phase 3 project reached substantial completion in the construction phase and entered into the punch list and project close out phase. The project consists of continuing the next phased development of the General Aviation apron with continued grading, utility relocations, removal of asphalt paving and replacement with concrete for the helicopter parking area and an asphalt taxi lane for future aircraft hangars.

The South Apron Site Development – Phase I grading project was bid, awarded and construction begun. The project includes relocation of the existing sanitary sewer lift station serving the south side of the airport facilities, relocating perimeter security fence and storm sewer as well as grading for a future apron to serve airport aircraft hangar needs.

The terminal building sanitary sewer lift station replacement project was bid, awarded and construction begun. The project includes electrical improvements and the removal and replacement of the existing sanitary sewer lift station serving the terminal building with new pumps and wet well assembly.

Debt Administration

The Tri-Cities Airport Authority has operated as a joint venture between four cities and two counties and has not had the authority to borrow funds. In July of 1995, one of the owners of the Airport, Sullivan County, Tennessee, issued \$7 million in airport revenue and tax bonds, series 1995. These funds were to be used to fund several capital projects. These bonds were to be paid first from passenger facility charges (currently, \$4.50 fee per enplaned passenger), second from all other revenues and reserves of the Airport, and third from the Owners of the Airport. The funds were used for terminal improvements, the safety area expansion, and site preparation for the Southside development.

In August 2003, Sullivan County, Tennessee, on behalf of the Airport Authority, entered into a \$5 million Airport Revenue and Tax Bonds (Taxable) Series 2003. The average coupon rate was 5.54 percent with annual debt service of approximately \$432 thousand dollars. The bonds original maturity was twenty years. The outstanding debt as of June 30, 2013 was \$4,350,000.

On January 28, 2014, Sullivan County, Tennessee issued \$2,975,000 Airport Revenue and Tax Refunding (Taxable) Bonds, Series 2014 for the purpose of providing funds to refinance, in advance of maturity, the Authority's outstanding Airport Revenue and Tax Bonds, Series 2003. The Series 2014 Bonds are payable primarily from and secured by a pledge and assignment of CFC and operating revenues from the Authority and will mature in 7 years. The outstanding debt as of June 30, 2017 was \$2,065,000.

In the notes to the financial statements, Note 9 – Long-Term Debt, describes the bonds in more detail and reflects a summary of the repayment structure.

Passenger Facility Charge (PFC)

The Tri-Cities Airport Authority received approval from the FAA to implement a Passenger Facility Charge (PFC) for \$3.00 per enplaned passenger beginning February 1997 for a total of \$8.5 million. The PFC is used to improve airport facilities. In August 1999, the PFC was amended to reduce the first portion to \$5.6 million in collections and to add two additional projects requiring collections of \$5.8 million. In August 2007 the PFC was increased to \$4.50, with two additional projects totaling \$668,500; in May 2012 six additional projects were added totaling \$489,869; in March 2013 an additional six projects were added totaling \$892,216; in December 2014 eight additional were added totaling \$1,866,027; in February 2016 the PFC project was amended to add increased project costs of \$250,420; and in December 2016 four additional projects were added totaling \$1,841,592. As of June 30, 2017 the total combined PFC collections for the airport is \$16.374 million.

Customer Facility Charges (CFC)

A Customer Facility Charge (CFC) is a fee charged on each rental car contract that must be used to pay rental car bond debt service and to maintain rental car facilities. A \$6 per contract fee was enacted on November 1, 2002. Due to a decrease in rental contract activity, this rate was increased to \$7 per contract in January 2005 and then to \$9 in August 2010. As of June 30, 2017, the airport's rental car concessionaires had collected \$5.037 million in Customer Facility Charges.

Economic Factors

According to the latest report by the ETSU Bureau of Business & Economic Research, employment in the metro area increased by 2.1 percent in the fourth quarter of 2016. Compared to the same period in 2015, regional job levels were higher by 0.3 percent, while unemployment fell 2.3 percent. Over the October to December period, the jobless rate for the Tri-Cities Regional Area was 5.2 percent compared to 5.4 percent a year earlier.

Acknowledgments

This financial report is designed to provide a general overview of the Tri-Cities Airport Authority's finances for all interested parties. Questions concerning this report or requests for additional information should be directed to Director of Finance, Tri-Cities Airport Authority, 2525 Highway 75, Suite 301, Blountville, TN 37617, telephone (423) 325-6007.

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Basic Financial Statements



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TRI-CITIES AIRPORT AUTHORITY
STATEMENT OF NET POSITION
June 30, 2017

ASSETS

CURRENT ASSETS

Cash on Hand	\$ 1,429
Cash in Bank - Checking	2,102,044
Restricted Assets	
Cash in Bank - Passenger Facility Charges	131,476
Cash in Bank - Customer Facility Charges	335,954
PFC Receivable	121,513
Cash in Bank - Escrow	260,708
Accounts Receivable - Operations (Net of Allowance, \$61,630)	634,149
Grants Receivable	104,784
Prepaid Expenses	47,623
	<hr/>
Total Current Assets	3,739,680

NONCURRENT ASSETS

Capital Assets	
Land	15,407,415
Construction in Progress	3,300,780
Runways and Roads	100,132,981
Parking Lot	5,432,296
Terminal Building	21,056,273
Other Buildings	14,317,762
Equipment and Vehicles	11,646,414
Master Plans	1,355,584
Less: Accumulated Depreciation	(84,628,436)
Net Capital Assets	<hr/> 88,021,069
Restricted Assets	
Cash on Deposit with other Governmental Entities - Debt Service Reserve	386,315
Certificates of Deposit - Passenger Facility Charges	166,615
Certificates of Deposit - Customer Facility Charges	51,163
Certificates of Deposit	2,214,563
Utility Deposits	2,068
Equipment Deposits	27,575
	<hr/>
Total Noncurrent Assets	90,869,368

TOTAL ASSETS	<hr/> 94,609,048
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DEFERRED OUTFLOWS OF RESOURCES

Pension Contributions After Measurement Date - Plans 1 and 2	322,155
Pension Changes in Experience - Plans 1 and 2	25,116
Net Pension Changes in Investment Earnings - Plans 1 and 2	266,956
	<hr/>

TOTAL DEFERRED OUTFLOWS OF RESOURCES	<hr/> 614,227
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(Continued)

TRI-CITIES AIRPORT AUTHORITY
STATEMENT OF NET POSITION
June 30, 2017

LIABILITIES

CURRENT LIABILITIES

Accounts Payable - Operations	268,436
Accounts Payable - Construction	413,947
Retainage Payable	326,164
Accrued Expenses	40,401
Accrued Interest	8,896
Accrued Wages	107,470
Accrued Compensated Absences	215,795
Bonds Payable	<u>320,000</u>
Total Current Liabilities	<u>1,701,109</u>

NONCURRENT LIABILITIES

Bonds Payable	1,763,915
Deposits from Lessees	6,600
Accrued Compensated Absences	6,018
Net Pension Liability - Plan 1	961,911
Net Pension Liability - Plan 2	<u>20,944</u>
Total Noncurrent Liabilities	<u>2,759,388</u>

TOTAL LIABILITIES

4,460,497

DEFERRED INFLOWS OF RESOURCES

Pension Changes in Experience - Plan 1	<u>209,708</u>
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TOTAL DEFERRED INFLOWS OF RESOURCES

209,708

NET POSITION

Net Investment in Capital Assets	85,937,154
Restricted - Passenger Facility Charges	419,604
Restricted - Customer Facility Charges	387,117
Unrestricted	<u>3,809,195</u>

TOTAL NET POSITION

\$ 90,553,070

The accompanying notes are an integral part of these basic financial statements.

TRI-CITIES AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2017

OPERATING REVENUES

Airline Revenue	
Landing Fees	\$ 628,126
Rents	1,636,604
Total Airline Revenue	<u>2,264,730</u>

Non-Airline Revenues

General Aviation	819,540
Air Cargo	97,491
Parking Revenue	2,121,611
Rental Car Revenue	973,619
Terminal Concessions	113,867
Terminal Space Rents	124,689
Other Revenues	290,515
Total Non-Airline Revenues	<u>4,541,332</u>

Total Operating Revenues	<u>6,806,062</u>
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OPERATING EXPENSES

Aviation Area

Utilities	14,793
Maintenance - Buildings	28,374
Power Vault - Diesel Fuel and Maintenance	6,356
Runway, Taxiway and Field Maintenance	75,648
Lighting and Electrical Maintenance	16,485
Field and Gate Maintenance	10,803
Fuel Farm Maintenance	3,817
Snow and Ice Control	41,734
Ramps and Aprons	11,198
Equipment Rental	14,466
Contract Mowing	25,700
Environmental Compliance	5,274
Wildlife Control	4,529
Total Aviation Area	<u>259,177</u>

Terminal Area

Electricity	322,723
Heating Fuel	25,334
Water and Sewer	82,015
Landscape Water	9,568
Telephone	10,275
Electrical Maintenance	15,133
HVAC Maintenance	24,113
Building Repairs and Parts	55,266
Plumbing	9,524
Landscape Service	12,939
Equipment and Furnishings	13,640

(Continued)

TRI-CITIES AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2017

OPERATING EXPENSES (CONTINUED)

Terminal Area (Continued)

Roadway, Parking Lots and Field Maintenance Expense	36,599
Contract Mowing	26,800
Elevator Contract	29,184
Trash Removal Contract	35,371
Other Contractual Services	14,024
Total Terminal Area	<u>722,508</u>

Air Cargo Center

Utilities	17,390
Heating Fuel	261
Trash Removal	1,302
Repairs and Maintenance	5,784
Total Air Cargo Center	<u>24,737</u>

Other Properties

Office Annex	
Utilities	15,961
Other Property - Land and Buildings	<u>9,188</u>
Total Other Properties	<u>25,149</u>

General Area - Public Safety

Salaries	723,969
FICA Contributions and Unemployment	55,621
Retirement	45,222
Insurance	218,826
General Personnel Expense	39,026
Fire Hall Expense	9,893
Security - Parking and Identification	14,514
Medical Supplies	337
Vehicle Fuel	20,154
Supplies	9,222
Equipment Maintenance	37,685
Training	20,587
Uniforms	14,415
Dues and Subscriptions	1,749
Office Supplies	6,550
Telephone	5,200
Access Control	54,406
Medical and Psychological Testing	536
Total General Area - Public Safety	<u>1,277,912</u>

(Continued)

TRI-CITIES AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2017

OPERATING EXPENSES (CONTINUED)

General Area - Maintenance

Salaries	418,737
FICA Contributions and Unemployment	30,614
Retirement	25,434
Insurance	180,341
General Personnel Expense	8,842
Utilities	13,545
Heating Fuel	2,004
Repairs and Maintenance	53,473
Gas and Oil	16,891
Small Tools	3,475
Uniforms - Maintenance	10,861
Supplies	9,683
Training	11,125
Total General Area - Maintenance	<u>785,025</u>

General Area - Janitorial

Salaries	272,206
FICA Contributions and Unemployment	20,073
Retirement	16,813
Insurance	58,148
General Personnel Expense	4,926
Supplies	37,331
Repairs and Maintenance	2,242
Uniforms	7,021
Snow Removal and Other	1,411
Total General Area - Janitorial	<u>420,171</u>

General Area - Airport Services

Salaries	55,855
FICA Contributions and Unemployment	4,190
Retirement	4,960
Insurance	8,176
General Personnel Expense	469
Supplies	2,218
Total General Area - Airport Services	<u>75,868</u>

(Continued)

TRI-CITIES AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2017

OPERATING EXPENSES (CONTINUED)

Marketing	
Salaries	117,085
FICA Contributions and Unemployment	8,839
Retirement	7,354
Insurance	818
General Personnel Expense	1,140
Advertising	7,703
Research and Development	3,300
Consulting Services	40,614
Marketing Initiative	283,230
Program Materials	25,313
Airline Relations	1,748
Community Relations	9,085
Travel	19,230
Professional Affiliations	557
Office Supplies	6,524
Postage	9
Total Marketing	<u>532,549</u>

Administrative	
Salaries	580,014
Engineering Services	2,317
FICA Contributions and Unemployment	43,131
Retirement	39,962
Medical Insurance	106,886
General Personnel Expense	24,786
Accounting	50,159
Bad Debt Expense	4,529
Legal	66,933
Insurance	300,118
Dues and Subscriptions	19,073
Consulting Services	42,755
Office Supplies	25,379
Telephone	17,872
Maintenance	33,988
Seminars and Conferences	35,169
General Administrative Expense	20,765
Postage and Handling	2,510
Miscellaneous Equipment	87
Total Administrative	<u>1,416,433</u>

(Continued)

TRI-CITIES AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2017

OPERATING EXPENSES (CONTINUED)

Air Cargo and Trade Development

Foreign Trade Zone

Marketing Initiatives	1,808
Programs and Materials	91
Contract Services	4,300
Professional Affiliations	4,172
Total Foreign Trade Zone	<u>10,371</u>

Administrative

Travel / Auto	5,188
Supplies, Furniture and Fixtures	3,011
Total Administrative	<u>8,199</u>

Personnel

Salaries	73,390
FICA Contributions and Unemployment	5,443
Medical Insurance	22,713
General Personnel Expense	684
Retirement	6,038
Total Personnel	<u>108,268</u>

Total Air Cargo and Trade Development

126,838

Parking

Salaries	211,982
FICA Contributions and Unemployment	15,476
General Personnel Expense	19,657
Recruiting	145
Uniforms	584
Supplies	1,475
Ticket and Printing Expense	4,533
Office Supplies	2,858
Repairs and Maintenance	1,194
Liability Insurance	300
Utilities	6,713
Postage and Freight	214
Telephone	2,902
Financial Services	1,171
Credit Card Discount	47,876
Miscellaneous	6,621
Management Fee	26,445
Total Parking	<u>350,146</u>

(Continued)

TRI-CITIES AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2017

OPERATING EXPENSES (CONTINUED)

Engineering	
Salaries	41,605
FICA Contributions and Unemployment	4,766
Retirement	3,815
Insurance	15,014
General Personnel Expense	758
Supplies	658
Software Updates	1,217
Miscellaneous	1,493
Dues and Subscriptions	1,468
Total Engineering	<u>70,794</u>
Business Development	
Programs and Materials	10,865
Partnerships	8,054
Total Business Development	<u>18,919</u>
RAC Service Facility	
Utilities	<u>81,421</u>
Ground Handling Services	
Salaries	120,815
FICA Contributions and Unemployment	9,317
Retirement	7,505
General Personnel Expense	8,457
Training	179
Supplies	924
Equipment and Maintenance	3,865
Miscellaneous	4,418
Total Ground Handling Services	<u>155,480</u>
Aerospace Park	
Industry Travel	10,671
Marketing	45,438
Contracted Services	22,217
Website	8,983
Total Aerospace Park	<u>87,309</u>
Total Operating Expenses	<u>6,430,436</u>

(Continued)

TRI-CITIES AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2017

Operating Income before Depreciation	375,626
Less: Depreciation	<u>5,451,093</u>
Operating Loss	<u>(5,075,467)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest Income	14,145
Interest Expense	(55,687)
Proceeds from Sale of Assets	5,181
PFC Revenue	806,322
CFC Revenue	402,200
Total Nonoperating Revenues (Expenses)	<u>1,172,161</u>
Loss before Capital Contributions	<u>(3,903,306)</u>
CAPITAL CONTRIBUTIONS	
Federal Grants	2,226,418
State Grants	280,904
Other Capital Contributions	203,638
Total Capital Contributions	<u>2,710,960</u>
CHANGE IN NET POSITION	(1,192,346)
NET POSITION, JULY 1	<u>91,745,416</u>
NET POSITION, JUNE 30	<u><u>\$ 90,553,070</u></u>

The accompanying notes are an integral part of these basic financial statements.

TRI-CITIES AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 6,737,840
Cash Payments to Suppliers for Goods and Services	(2,803,074)
Cash Payments to Employees for Services	(2,621,256)
Cash Payments for Employee Benefits	(1,231,714)
Cash Payments for Insurance	(246,781)
	<hr/>
NET CASH USED FOR OPERATING ACTIVITIES	(164,985)
	<hr/>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(6,335,963)
Proceeds from Sale of Assets	5,181
Capital Grants Received	5,104,605
PFC Funds Received	802,454
CFC Funds Received	402,200
Interest Paid	(59,868)
Bond Payments	(310,000)
	<hr/>
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(391,391)
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments	(19,487)
Sale of Investments	317,706
Interest Received	14,145
	<hr/>
NET CASH PROVIDED BY INVESTING ACTIVITIES	312,364
	<hr/>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(244,012)
	<hr/>
CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL YEAR	3,461,938
	<hr/>
CASH AND CASH EQUIVALENTS AT END OF FISCAL YEAR	<u><u>\$ 3,217,926</u></u>

(Continued)

TRI-CITIES AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2017

RECONCILIATION OF OPERATING LOSS TO	
NET CASH USED FOR OPERATING ACTIVITIES	
Operating Loss	\$ (5,075,467)
Adjustments	
Depreciation	5,451,093
Changes in Deferred Outflows for Pensions	(289,489)
Changes in Deferred Inflows for Pensions	14,529
(Increase) Decrease in Assets	
Net Accounts Receivable	(68,222)
Prepaid Expenses	53,337
Increase (Decrease) in Liabilities	
Accounts Payable	(348,966)
Accrued Expenses	2,274
Accrued Compensated Absences	(20,758)
Accrued Wages	15,160
Net Pension Liability	101,524
	<hr/>
NET CASH USED FOR OPERATING ACTIVITIES	<u><u>\$ (164,985)</u></u>
RECONCILIATION TO STATEMENT OF NET POSITION	
Cash on Hand	\$ 1,429
Cash in Bank - Checking	2,102,044
Cash in Bank - Passenger Facility Charges	131,476
Cash in Bank - Customer Facility Charges	335,954
Cash in Bank - Escrow	260,708
Cash on Deposit with other Governmental Entities - Debt Service Reserve	386,315
	<hr/>
CASH AND CASH EQUIVALENTS AT END OF FISCAL YEAR	<u><u>\$ 3,217,926</u></u>

The accompanying notes are an integral part of these basic financial statements.

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Notes to the Basic Financial Statements



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TRI-CITIES AIRPORT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Tri-Cities Airport Authority (the Authority) is reported as an enterprise fund, a proprietary fund type to account for the operation of the Airport facility. The accompanying basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for services. Reimbursements of operating expenses by the federal and state governments are reported as operating revenues. Operating expenses for the Authority include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Restricted Assets

Restricted assets are held to satisfy bond principal and interest sinking fund requirements or are otherwise held for certain capital improvement projects.

TRI-CITIES AIRPORT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are reported at the net realizable amounts from third-party payors, lessee payments, and other services rendered. Accounts receivable are reported net of an allowance for uncollectible amounts. The allowance for uncollectible amounts is based on prior collection history of receivables, known collection risks and environmental factors, including the age of the receivables.

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, runways, parking lots, and similar items), are defined by the Authority as assets with an initial individual cost of \$3,000 and greater. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Runways, Roads, etc.	20 years
Parking Lot	20 years
Terminal Building	30 years
Other Buildings	30 years
Equipment and Vehicles	5-20 years
Master Plans	10 years

Investments and Cash Equivalents

Investments are recorded at fair value as determined by quoted market prices at the Statement of Net Position date. Investments that have an original maturity of three months or less are considered cash equivalents for purposes of the Statement of Cash Flows.

TRI-CITIES AIRPORT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows / Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has three items reported as a deferred outflows. (1) The Pension Contributions After Measurement Date - Plans 1 and 2 are equivalent to the Authority's pension contributions made to the Tennessee Consolidated Retirement System (TCRS) during fiscal year 2017, and will be recognized as reductions to the net pension liabilities in the following measurement period, (2) The Pension Changes in Experience - Plans 1 and 2 is a result of the June 30, 2016 actuarial studies for the Authority's agent multiple-employer pension plans through TCRS, and is being amortized over the average remaining service period, and (3) The Net Pension Changes in Investment Earnings - Plans 1 and 2 is a result of the June 30, 2016 actuarial studies for the Authority's agent multiple-employer pension plans through TCRS, and is being amortized over a five-year period.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item reported as a deferred inflow. (1) The Pension Changes in Experience - Plan 1 is a result of the June 30, 2016 actuarial study for the Authority's agent multiple-employer pension plan through TCRS, and is being amortized over the average remaining service period.

Net Position

Net position is the difference between assets and deferred outflows of resources minus liabilities and deferred inflows of resources. The net investment in capital assets is calculated as capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are legal limitations on its use by external restrictions imposed by other governments, creditors or grantors.

Budgets

Under the by-laws of the Authority, management must submit an annual operating budget to the Tri-Cities Airport Board of Commissioners for approval. In addition, management must submit to the Commissioners annually a capital improvements budget.

The Authority is not required to demonstrate statutory compliance with annual operating or capital improvement budgets. Accordingly, budgetary data is not included in the basic financial statements. Unexpended appropriations lapse at fiscal year end.

TRI-CITIES AIRPORT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

For purposes of measuring the net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the Authority's participation in the Public Employee Retirement Plan of the TCRS, and additions to/deductions from the Authority's fiduciary net positions have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of the TCRS. Investments are reported at fair value.

NOTE 2 - GENERAL INFORMATION

The Authority is jointly governed by the following governmental agencies:

	<u>Representation</u>
Washington County, Tennessee	3 Commissioners
City of Johnson City, Tennessee	3 Commissioners
Sullivan County, Tennessee	2 Commissioners
City of Kingsport, Tennessee	2 Commissioners
City of Bristol, Tennessee	1 Commissioner
City of Bristol, Virginia	1 Commissioner

NOTE 3 - DEPOSITS AND INVESTMENTS

Cash on the Statement of Net Position and Statement of Cash Flows includes cash on hand, demand deposits, and certificates of deposit with an original maturity of three months or less. There are some certificates of deposit that have an original maturity of greater than three months. These are shown as noncurrent assets.

Cash and certificates of deposit are covered by Federal Deposit Insurance Corporation (FDIC) insurance or by the state collateral pool. The Authority is exposed to concentration of credit risk by placing its deposits in financial institutions. To mitigate custodial credit risk, the Authority ensures that bank balances in excess of the FDIC coverage are held in financial institutions which are members of the State of Tennessee bank collateral pool to ensure excess balances are fully collateralized at all times.

TRI-CITIES AIRPORT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

DEPOSITS - State statutes require all deposits with financial institutions other than savings and loan associations must be collateralized in an amount equal to 105% of the fair value of uninsured deposits. Deposits with savings and loan associations must be collateralized by one of the following methods: 1) By an amount equal to 110% of the fair value of uninsured deposits if the collateral is of the same character as that required for other financial institutions; 2) By an irrevocable letter of credit issued by the Federal Home Loan Bank; or 3) By providing notes secured by first mortgages or first deeds of trust upon residential real property located in Tennessee. The promissory notes must be in an amount equal to 150% of the amount of uninsured deposits.

NOTE 4 - DEBT SERVICE RESERVE

The debt service account was funded from restricted assets of the Authority. The cash is on deposit with the Sullivan County Trustee and is to be invested in an interest bearing account. These monies are to be used only to the extent that the funds in the principal and interest account are insufficient to cover principal and interest requirements for the bonds described in Note 9.

NOTE 5 - PREPAID EXPENSES

Payments made for insurance that will benefit periods beyond June 30, 2017, are recorded as prepaid. Prepaid expenses consisted of the following:

Insurance	<u>\$ 47,623</u>
Total Prepaid Expenses	<u><u>\$ 47,623</u></u>

TRI-CITIES AIRPORT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 15,294,926	112,489	-	15,407,415
Construction in Progress	8,189,753	4,612,052	(9,501,025)	3,300,780
Total Capital Assets, Not Being Depreciated	23,484,679	4,724,541	(9,501,025)	18,708,195
Capital Assets, Being Depreciated				
Runways and Roads	94,271,528	5,861,453	-	100,132,981
Parking Lot	4,936,487	495,809	-	5,432,296
Terminal Building	19,338,630	1,717,643	-	21,056,273
Other Buildings	14,153,922	163,840	-	14,317,762
Equipment and Vehicles	10,562,675	1,280,526	(196,787)	11,646,414
Master Plans	1,320,045	35,539	-	1,355,584
Total Capital Assets, Being Depreciated	144,583,287	9,554,810	(196,787)	153,941,310
Accumulated Depreciation				
Runways and Roads	(49,312,277)	(3,507,179)	-	(52,819,456)
Parking Lot	(2,905,958)	(237,926)	-	(3,143,884)
Terminal Building	(11,344,417)	(820,523)	-	(12,164,940)
Other Buildings	(6,378,213)	(484,162)	-	(6,862,375)
Equipment and Vehicles	(8,708,561)	(312,341)	196,787	(8,824,115)
Master Plans	(724,704)	(88,962)	-	(813,666)
Total Accumulated Depreciation	(79,374,130)	(5,451,093)	196,787	(84,628,436)
Net Capital Assets, Being Depreciated	65,209,157	4,103,717	0	69,312,874
Net Capital Assets	\$ 88,693,836	8,828,258	(9,501,025)	88,021,069

TRI-CITIES AIRPORT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 - RESTRICTED ASSETS

Money received from the airlines for passenger facility charges is restricted for use on capital improvement projects approved by the Federal Aviation Administration or to repay debt associated with these projects.

A customer facility charge assessed on rental car contracts is restricted for use on capital improvement projects associated with the rental car enterprises.

Cash on deposit with other governmental entities is restricted for use on debt service.

Cash on deposit is restricted for use on payment of construction escrows.

NOTE 8 - ACCRUED COMPENSATED ABSENCES

Employees earn 40 hours of vacation at the completion of six months of service; 80 additional hours after completion of one year; 120 hours after five years, 160 hours after 12 years; and 200 hours after 25 years of continuous employment. Vacation time is awarded on the anniversary date and should be used during the year; however, unused vacation time of up to 120 hours can be carried forward into the next year. The carry forward amount cannot accumulate for more than a one year period and the carry forward balance cannot exceed 120 hours at any time.

Employees earn one sick day per month to a maximum of 10 per year. An unlimited number of days may be accumulated toward retirement; however, no lump sum payment will be made by the Authority for accumulated sick days.

Employees, excluding supervisors and senior staff, may accumulate additional leave for overtime hours worked in lieu of immediate payment. This amount is accrued at the present pay rate multiplied by those hours, which are adjusted to reflect time and a half.

TRI-CITIES AIRPORT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 9 - LONG-TERM DEBT

Airport Revenue and Tax Refunding, Series 2014 Bonds

The \$2,975,000 Airport Revenue and Tax Refunding (Taxable) Bonds, Series 2014A, were issued January 28, 2014 by Sullivan County, Tennessee for the purpose of providing funds to refinance in advance of its maturity the Authority's outstanding Airport Revenue and Tax Bonds, Series 2003 dated August 1, 2003, maturing May 1, 2023.

The bonds are payable primarily from and secured by a pledge and assignment of PFC and operating revenues from the Authority. The bonds will mature serially each May 1, beginning May 1, 2014 and ending May 1, 2023. Interest rates are scheduled and vary from 5.125% to 5.8%. Interest payments are due semi-annually on May 1st and November 1st, beginning May 1, 2014.

Total Airport Revenue and Tax Refunding Bonds debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal Payments	Annual Interest	Total Debt Service
2018	\$ 320,000	53,667	373,667
2019	330,000	47,268	377,268
2020	335,000	40,668	375,668
2021	350,000	32,460	382,460
2022	360,000	23,010	383,010
2023	370,000	12,210	382,210
	<u>\$ 2,065,000</u>	<u>209,283</u>	<u>2,274,283</u>

Long-term liability activity for the fiscal year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 2,375,000	-	(310,000)	2,065,000	320,000
Plus: Premium	22,068	-	(3,153)	18,915	-
Total Bonds Payable	2,397,068	0	(313,153)	2,083,915	320,000
Compensated Absences	242,571	150,268	(171,026)	221,813	215,795
Net Pension Liability	881,331	822,250	(720,726)	982,855	-
Total Long-Term Liabilities	\$ 3,520,970	972,518	(1,204,905)	3,288,583	535,795

TRI-CITIES AIRPORT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 10 - PENSION PLANS

General Information about the Pension Plans

Plan Descriptions

Employees of the Authority are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

The Authority withdrew from TCRS effective July 1, 2012. Employees active as of the withdrawal date will continue to accrue salary and service credit in TCRS under Plan 1. The employer remains responsible for the pension liability for employees that were active as of the withdrawal date and for retirees of the employer. The Authority re-entered TCRS effective July 1, 2013 under Plan 2. Employees hired between July 1, 2012 and June 30, 2013, the notice period, were given the choice to be in either plan.

Benefits Provided

Tennessee Code Annotated, Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members of Plan 1 are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members of Plan 2 are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 60 and vested or pursuant to the rule of 80 in which the member's age and service credit total 80. Members of both plans vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost-of-living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

TRI-CITIES AIRPORT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 10 - PENSION PLANS (CONTINUED)

General Information about the Pension Plans (Continued)

Employees Covered by Benefit Terms

At the measurement date of June 30, 2016, the following employees were covered by the benefit terms:

Plan 1

Inactive employees or beneficiaries currently receiving benefits	42
Inactive employees entitled to but not yet receiving benefits	53
Active employees	30
	<u>125</u>

Plan 1 is closed to new entrants.

Plan 2

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	2
Active employees	11
	<u>13</u>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. The Authority has adopted noncontributory plans and makes employer contributions at the rates set by the Board of Trustees as determined by actuarial valuations. For the fiscal year ended June 30, 2017, the employer contributions for the Authority were \$269,241 based on a rate of 18.10 percent of covered payroll for Plan 1 and \$52,914 based on a rate of 7.44 percent of covered payroll for Plan 2. By law, employer contributions are required to be paid. The TCRS may intercept the Authority's state shared taxes if required employer contributions are not remitted. The employer's Actuarially Determined Contributions (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liabilities

The Authority's net pension liabilities were measured as of June 30, 2016, and the total pension liabilities used to calculate net pension liabilities were determined by actuarial valuations as of that date.

TRI-CITIES AIRPORT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 10 - PENSION PLANS (CONTINUED)

Net Pension Liabilities (Continued)

Actuarial Assumptions

The total pension liabilities as of June 30, 2016, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2016 actuarial valuations were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

TRI-CITIES AIRPORT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 10 - PENSION PLANS (CONTINUED)

Net Pension Liabilities (Continued)

Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	6.46%	33.00%
Developed Market International Equity	6.26%	17.00%
Emerging Market International Equity	6.40%	5.00%
Private Equity and Strategic Lending	4.61%	8.00%
U.S. Fixed Income	0.98%	29.00%
Real Estate	4.73%	7.00%
Short-Term Securities	0.00%	1.00%
		<u>100.00%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.50 percent based on a blending of the three factors described above.

Discount Rate

The discount rate used to measure the total pension liabilities was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rates and that contributions from the Authority will be made at the actuarially determined contribution rates pursuant to actuarial valuations in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plans' fiduciary net positions were projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liabilities.

TRI-CITIES AIRPORT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 10 - PENSION PLANS (CONTINUED)

Changes in the Net Pension Liabilities
Plan 1

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 6/30/2015	\$ 8,800,850	7,929,843	871,007
Changes for the fiscal year:			
Service Cost	125,439	-	125,439
Interest	652,992	-	652,992
Differences Between Expected and Actual Experience	(212,485)	-	(212,485)
Contributions - Employer	-	269,362	(269,362)
Net Investment Income	-	208,038	(208,038)
Benefit Payments, Including Refunds of Employee Contributions	(439,452)	(439,452)	-
Administrative Expense	-	(2,358)	2,358
Net Changes	126,494	35,590	90,904
Balance at 6/30/2016	\$ 8,927,344	7,965,433	961,911

TRI-CITIES AIRPORT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 10 - PENSION PLANS (CONTINUED)

Changes in the Net Pension Liabilities (Continued)

Plan 2

		Increase (Decrease)	
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 6/30/2015	\$ 45,181	34,857	10,324
Changes for the fiscal year:			
Service Cost	28,803	-	28,803
Interest	5,549	-	5,549
Differences Between Expected and Actual Experience	6,313	-	6,313
Contributions - Employer	-	29,532	(29,532)
Net Investment Income	-	1,309	(1,309)
Administrative Expense	-	(796)	796
Net Changes	40,665	30,045	10,620
Balance at 6/30/2016	\$ 85,846	64,902	20,944

Sensitivity of the Net Pension Liabilities to Changes in the Discount Rate

The following presents the net pension liabilities of the Authority calculated using the discount rate of 7.50 percent, as well as what the net pension liabilities would be if they were calculated using a discount rate that is 1.00-percentage-point lower (6.50 percent) or 1.00-percentage-point higher (8.50 percent) than the current rate:

Plan 1

	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
Tri-Cities Airport Authority's Net Pension Liability	\$ 1,962,169	961,911	112,643

TRI-CITIES AIRPORT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 10 - PENSION PLANS (CONTINUED)

Changes in the Net Pension Liabilities (Continued)

Sensitivity of the Net Pension Liabilities to Changes in the Discount Rate (Continued)

Plan 2

	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
Tri-Cities Airport Authority's Net Pension Liability	<u>\$ 37,241</u>	<u>20,944</u>	<u>7,643</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Expense

For the fiscal year ended June 30, 2017, the Authority recognized pension expense of \$114,457 for Plan 1 and \$34,262 for Plan 2.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the fiscal year ended June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Plan 1

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 4,808	(209,708)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	264,645	-
Contributions Subsequent to the Measurement Date of June 30, 2016	<u>269,241</u>	<u>(not applicable)</u>
Total	<u>\$ 538,694</u>	<u>(209,708)</u>

TRI-CITIES AIRPORT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 10 - PENSION PLANS (CONTINUED)

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions (Continued)**

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Plan 2

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences Between Expected and Actual Experience	\$ 20,308	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,311	-
Contributions Subsequent to the Measurement Date of June 30, 2016	<u>52,914</u>	<u>(not applicable)</u>
Total	<u><u>\$ 75,533</u></u>	<u><u>0</u></u>

The amounts shown above for "Contributions Subsequent to the Measurement Date of June 30, 2016," will be recognized as a reduction to net pension liabilities in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan 1

Fiscal Year Ended June 30:	
2018	\$ (78,061)
2019	(82,868)
2020	144,630
2021	76,044

TRI-CITIES AIRPORT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 10 - PENSION PLANS (CONTINUED)

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions (Continued)**

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Plan 2

Fiscal Year Ended June 30:		
2018	\$	2,806
2019		2,806
2020		2,923
2021		2,711
2022		2,234
Thereafter		9,139

In the tables shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

NOTE 11 - RISK MANAGEMENT ACTIVITIES

The Authority carries insurance coverage through ACE and Cincinnati Insurance Company for general liability, commercial property, business automobile liability, and business interruption/loss of income. Workers compensation insurance is provided through USAIG. Additional coverage for public officials is provided by AIG.

The Authority established an investment account committed as an insurance contingency fund to cover any claims not covered by insurance during the fiscal year ended June 30, 1987. The action required initial funding of \$500,000. During the fiscal year ended June 30, 1990, an additional \$200,000 was added. Funding for successive fiscal years is subject to a majority vote of the Authority. Withdrawals from the fund will only be allowed by a two-thirds vote of the Authority. There have been no claims paid from this fund over the past nine fiscal years.

In addition, the Authority provides medical insurance through United Healthcare. No portion of health insurance is self-funded. No settlements exceeded insurance coverage for each of the past eight fiscal years.

TRI-CITIES AIRPORT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 12 - LITIGATION

The Authority is involved in various legal proceedings arising in the normal course of business. To the extent the outcome of such litigation has been determined to result in probable loss to the Authority, such loss for which the Authority is responsible for funding has been accrued in the accompanying financial statements. Litigation where loss to the Authority is reasonably possible has not been accrued; however, the Authority and Attorney for the Authority have not identified any events which appear both probable and measurable.

The Authority holds a private insurance policy which has an aggregate deductible of \$25,000; therefore, the Authority has accrued \$25,000 that is the maximum liability to the Authority.

The Authority and Attorney for the Authority believes that the various asserted claims and litigation will not materially affect its financial position, although no assurance can be given with respect to the ultimate outcome of any such claims or litigation.

NOTE 13 - DISADVANTAGED-OWNED BUSINESS EXPENSES

The Authority's disadvantaged-owned business goals were as follows:

<u>Project</u>	<u>Goal</u>	<u>Actual</u>
AIP 3-47-004-64	4.90%	In process
AIP 3-47-004-65	4.90%	In process
AIP 3-47-004-66	4.90%	In process
AIP 3-47-004-67	4.90%	In process
AIP 3-47-004-68	6.00%	In process

NOTE 14 - ECONOMIC DEPENDENCY

The Authority obtains substantially all of its funding for capital projects and improvements from grants provided by the Federal Aviation Administration and State of Tennessee Department of Transportation Aeronautics Division.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

The Authority has entered into approximately \$3,000,000 of construction contract commitments that had begun and were in-process at fiscal year end. These construction contract commitments will be paid primarily with capital grants.

Required Supplemental Information



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TRI-CITIES AIRPORT AUTHORITY
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN TRI-CITIES AIRPORT AUTHORITY'S NET PENSION LIABILITY
AND RELATED RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN 1 OF TCRS
Last Fiscal Year Ending June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total Pension Liability			
Service Cost	\$ 148,999	147,240	125,439
Interest	613,697	627,504	652,992
Differences between Actual and Expected Experience	(170,126)	14,422	(212,485)
Benefit Payments, including Refunds of Employee Contributions	(397,859)	(415,589)	(439,452)
Net Change in Total Pension Liability	194,711	373,577	126,494
Total Pension Liability - Beginning	8,232,562	8,427,273	8,800,850
Total Pension Liability - Ending (a)	<u>\$ 8,427,273</u>	<u>8,800,850</u>	<u>8,927,344</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 299,934	283,053	269,362
Net Investment Income	1,119,862	238,941	208,038
Benefit Payments, including Refunds of Employee Contributions	(397,859)	(415,589)	(439,452)
Administrative Expense	(1,755)	(1,776)	(2,358)
Net Change in Plan Fiduciary Net Position	1,020,182	104,629	35,590
Plan Fiduciary Net Position - Beginning	6,805,032	7,825,214	7,929,843
Plan Fiduciary Net Position - Ending (b)	<u>\$ 7,825,214</u>	<u>7,929,843</u>	<u>7,965,433</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 602,059</u>	<u>871,007</u>	<u>961,911</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	92.86%	90.10%	89.23%
Covered Payroll	\$ 1,676,554	1,563,831	1,478,191
Net Pension Liability as a Percentage of Covered Payroll	35.91%	55.70%	65.07%

This is a 10-Year Schedule; however, the information in this Schedule is not required to be presented retroactively. Years will be added to this Schedule in future fiscal years until 10 fiscal years of information is available.

See Independent Auditors' Report.

TRI-CITIES AIRPORT AUTHORITY
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF TRI-CITIES AIRPORT AUTHORITY'S CONTRIBUTIONS BASED ON
PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN 1 OF TCRS
Last Fiscal Year Ending June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially Determined Contribution	\$ 299,934	283,053	269,362	269,241
Contributions in relation to the				
Actuarially Determined Contribution	299,934	283,053	269,362	269,241
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>
 Covered Payroll	 \$ 1,676,554	 1,563,831	 1,478,191	 1,487,522
Contributions as a Percentage of				
Covered Payroll	17.89%	18.10%	18.22%	18.10%

This is a 10-Year Schedule; however, the information in this Schedule is not required to be presented retroactively. Years will be added to this Schedule in future fiscal years until 10 fiscal years of information is available.

Notes to Schedule

Valuation date:

Actuarially determined contribution rates for fiscal year 2017 were calculated based on the June 30, 2015 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Frozen Initial Liability
Amortization Method	Level Dollar, Closed (not to exceed 20 years)
Remaining Amortization Period	Varies by Year
Asset Valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary Increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement Age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost-of-Living Adjustments	2.5 percent

See Independent Auditors' Report.

TRI-CITIES AIRPORT AUTHORITY
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN TRI-CITIES AIRPORT AUTHORITY'S NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN 2 OF TCRS
Last Fiscal Year Ending June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total Pension Liability			
Service Cost	\$ 4,222	20,529	28,803
Interest	317	2,078	5,549
Differences between Actual and Expected Experience	2,634	15,401	6,313
Net Change in Total Pension Liability	7,173	38,008	40,665
Total Pension Liability - Beginning	-	7,173	45,181
Total Pension Liability - Ending (a)	<u>\$ 7,173</u>	<u>45,181</u>	<u>85,846</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 13,022	20,529	29,532
Net Investment Income	1,065	740	1,309
Administrative Expense	(175)	(324)	(796)
Net Change in Plan Fiduciary Net Position	13,912	20,945	30,045
Plan Fiduciary Net Position - Beginning	-	13,912	34,857
Plan Fiduciary Net Position - Ending (b)	<u>\$ 13,912</u>	<u>34,857</u>	<u>64,902</u>
Net Pension Liability (Asset) - Ending (a) - (b)	<u>\$ (6,739)</u>	<u>10,324</u>	<u>20,944</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	193.95%	77.15%	75.60%
Covered Payroll	\$ 220,720	347,955	531,211
Net Pension Liability (Asset) as a Percentage of Covered Payroll	(3.05)%	2.97%	3.94%

This is a 10-Year Schedule; however, the information in this Schedule is not required to be presented retroactively. Years will be added to this Schedule in future fiscal years until 10 fiscal years of information is available.

See Independent Auditors' Report.

TRI-CITIES AIRPORT AUTHORITY
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF TRI-CITIES AIRPORT AUTHORITY'S CONTRIBUTIONS BASED ON
PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN 2 OF TCRS
Last Fiscal Year Ending June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially Determined Contribution	\$ 13,022	20,529	29,532	52,914
Contributions in relation to the				
Actuarially Determined Contribution	13,022	20,529	29,532	52,914
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>
 Covered Payroll	 \$ 220,720	 347,955	 531,211	 711,204
Contributions as a Percentage of				
Covered Payroll	5.90%	5.90%	5.56%	7.44%

This is a 10-Year Schedule; however, the information in this Schedule is not required to be presented retroactively. Years will be added to this Schedule in future fiscal years until 10 fiscal years of information is available.

Notes to Schedule

Valuation date:

Actuarially determined contribution rates for fiscal year 2017 were calculated based on the June 30, 2015 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Frozen Initial Liability
Amortization Method	Level Dollar, Closed (not to exceed 20 years)
Remaining Amortization Period	Varies by Year
Asset Valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary Increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement Age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost-of-Living Adjustments	2.5 percent

See Independent Auditors' Report.

Supplemental Schedules



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TRI-CITIES AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2017

CFDA				
Number	Grantor Agency	Grant Number	Program Description	Expenditures ^{a b}
20.106	Federal Aviation Administration	AIP 3-47-0004-64	Runway 5/23 Rehab; Airfield Runway Aero Survey	\$ 65,507
		AIP 3-47-0004-65	Rehabilitate Terminal Access Road, Emergency Operations Center, Access Control, Security Center Relocation and Perimeter Security Fence	181,055
		AIP 3-47-0004-66	Terminal Roadway Improvement Phase II	103,235
		AIP 3-47-0004-67	GA Ramp Expansion, Rehab Phase II and Terminal Checkpoint Reconfiguration	803,597
		AIP 3-47-0004-68	GA Ramp Expansion and Rehab Phase III	1,072,453
				<u>\$ 2,225,847</u>

^a This Schedule reflects the federal grantor's share of the expenditures.

^b There were no pass-through entities or subrecipients.

See Independent Auditors' Report.

TRI-CITIES AIRPORT AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2017

NOTE 1 - BASIS OF PRESENTATION

The schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Tri-Cities Airport Authority under programs of the federal government for the fiscal year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Tri-Cities Airport Authority, it is not intended to, and does not present, the financial position, changes in net assets or cash flows of Tri-Cities Airport Authority.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Tri-Cities Airport Authority has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

See Independent Auditors' Report.

TRI-CITIES AIRPORT AUTHORITY
FEDERAL GRANT AIP #3-47-0004-64
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2017

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Runway 5/23 Rehab	\$ 52,816	14,762,260	14,978,700	216,440	-
Airfield Runway Aero Survey	-	110,995	112,623	1,628	-
Rehab Design Construction	19,970	775,278	704,200	(71,078)	-
Runway Pavement	-	28,320	-	(28,320)	-
	<u>\$ 72,786</u>	<u>15,676,853</u>	<u>15,795,523</u>	<u>118,670</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (90%)	\$ 65,507	14,109,166	14,215,971	106,805	-
State Grant (5%)	3,639	783,843	789,776	5,933	-
Tri-Cities Airport Authority	3,640	783,844	789,776	5,932	-
	<u>\$ 72,786</u>	<u>15,676,853</u>	<u>15,795,523</u>	<u>118,670</u>	<u>0</u>

(Continued)

TRI-CITIES AIRPORT AUTHORITY
FEDERAL GRANT AIP #3-47-0004-65
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2017

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Rehabilitate Terminal Access Road	\$ 201,172	1,049,400	1,340,276	290,876	-
Emergency Operations Center					
Access Control, Security Center Relocation and Perimeter Security Fence	-	907,122	754,921	(152,201)	-
	<u>\$ 201,172</u>	<u>1,956,522</u>	<u>2,095,197</u>	<u>138,675</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (90%)	\$ 181,055	1,760,869	1,885,677	124,808	-
State Grant (5%)	10,059	52,468	55,500	3,032	-
State Grant	-	37,500	37,500	-	-
Tri-Cities Airport Authority	10,058	105,685	116,520	10,835	-
	<u>\$ 201,172</u>	<u>1,956,522</u>	<u>2,095,197</u>	<u>138,675</u>	<u>0</u>

(Continued)

TRI-CITIES AIRPORT AUTHORITY
FEDERAL GRANT AIP #3-47-0004-66
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2017

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Roadway Improvement Phase II	\$ 114,705	1,462,015	1,865,346	403,331	-
	<u>\$ 114,705</u>	<u>1,462,015</u>	<u>1,865,346</u>	<u>403,331</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (90%)	\$ 103,235	1,315,744	1,678,811	363,067	-
State Grant (5%)	5,735	71,369	93,268	21,899	-
Tri-Cities Airport Authority	5,735	74,902	93,267	18,365	-
	<u>\$ 114,705</u>	<u>1,462,015</u>	<u>1,865,346</u>	<u>403,331</u>	<u>0</u>

(Continued)

TRI-CITIES AIRPORT AUTHORITY
FEDERAL GRANT AIP #3-47-0004-67
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2017

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Checkpoint Improvement	\$ -	237,935	250,106	12,171	-
GA Development Hangars	7,892	144,027	236,107	92,080	-
GA Ramp Expansion and Rehab Phase II	873,594	2,089,928	1,976,431	(113,497)	-
Runway 5/23 Depression	28,522	28,522	28,522	-	-
	<u>\$ 910,008</u>	<u>2,500,412</u>	<u>2,491,166</u>	<u>(9,246)</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (90%)	\$ 803,597	2,112,440	2,112,440	-	-
State Grant	9,327	131,850	131,850	-	-
State Grant	44,650	117,363	117,363	-	-
Tri-Cities Airport Authority	52,434	138,759	129,513	(9,246)	-
	<u>\$ 910,008</u>	<u>2,500,412</u>	<u>2,491,166</u>	<u>(9,246)</u>	<u>0</u>

(Continued)

TRI-CITIES AIRPORT AUTHORITY
FEDERAL GRANT AIP #3-47-0004-68
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2017

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
GA Ramp Expansion and Rehab Phase III	\$ 1,191,615	1,191,615	1,384,649	193,034	-
	<u>\$ 1,191,615</u>	<u>1,191,615</u>	<u>1,384,649</u>	<u>193,034</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (90%)	\$ 1,072,453	1,072,454	1,246,184	173,730	-
State Grant (5%)	59,581	59,581	69,232	9,651	-
Tri-Cities Airport Authority	59,581	59,580	69,233	9,653	-
	<u>\$ 1,191,615</u>	<u>1,191,615</u>	<u>1,384,649</u>	<u>193,034</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Fiscal Year Ended June 30, 2017

CFDA				
Number	Grantor Agency	Grant Number	Program Description	Expenditures ^{a b}
N/A	TN Dept. of			
	Transportation	82-555-0132-04	Terminal Roadway Improvement Phase II (AIP 66)	\$ 5,735
		82-555-0424-04	Runway 5/23 Rehab Airfield Runway Aero Survey (AIP 64)	3,639
		82-555-0428-04	Aviation Park II - Master Grading Plan	12,043
		82-555-0726-04	Terminal Access Road (AIP 65)	10,059
		82-555-0727-04	Short-Term Parking Entrance	5,844
		82-555-0731-04	Terminal Access Road and Parking Lot Improvements Phase II	3,509
		82-555-0733-04	Terminal Area Energy Efficient Study	993
		82-555-0734-04	Professional Services Phase III	2,360
		82-555-0737-16	2016 Professional Services	95,000
		85-555-0739-16	G.A. Ramp Expansion and Rehab Phase III (AIP 68)	59,581
		82-555-0741-17	Professional Services FY2017	13,993
		82-555-1720-04	G.A. Development T Hangars (AIP 67)	53,977
		82-555-1721-04	Equipment Replacement	29,344
				<u>\$ 296,077</u>

^a This Schedule reflects the state grantor's share of the expenditures.

^b There were no pass-through entities or subrecipients.

See Independent Auditors' Report.

TRI-CITIES AIRPORT AUTHORITY
TENNESSEE GRANT 82-555-0132-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2017

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Roadway Improvement Phase II	\$ 114,705	1,462,015	1,865,346	403,331	-
	<u>\$ 114,705</u>	<u>1,462,015</u>	<u>1,865,346</u>	<u>403,331</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (90%)	\$ 103,235	1,315,744	1,678,811	363,067	-
State Grant (5%)	5,735	71,369	93,268	21,899	-
Tri-Cities Airport Authority	5,735	74,902	93,267	18,365	-
	<u>\$ 114,705</u>	<u>1,462,015</u>	<u>1,865,346</u>	<u>403,331</u>	<u>0</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY
TENNESSEE GRANT 82-555-0424-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2017**

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Runway 5/23 Rehab	\$ 52,816	14,762,260	14,978,700	216,440	-
Airfield Runway Aero Survey	-	110,995	112,623	1,628	-
Rehab Design Construction	19,970	775,278	704,200	(71,078)	-
Runway Pavement	-	28,320	-	(28,320)	-
	<u>\$ 72,786</u>	<u>15,676,853</u>	<u>15,795,523</u>	<u>118,670</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (90%)	\$ 65,507	14,109,166	14,215,971	106,805	-
State Grant (5%)	3,639	783,843	789,776	5,933	-
Tri-Cities Airport Authority	3,640	783,844	789,776	5,932	-
	<u>\$ 72,786</u>	<u>15,676,853</u>	<u>15,795,523</u>	<u>118,670</u>	<u>0</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY
TENNESSEE GRANT 82-555-0428-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2017**

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Aviation Park II - Master Grading Plan	\$ 12,677	73,857	76,480	2,623	-
	<u>\$ 12,677</u>	<u>73,857</u>	<u>76,480</u>	<u>2,623</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (95%)	\$ 12,043	68,486	72,656	4,170	-
Tri-Cities Airport Authority	634	5,371	3,824	(1,547)	-
	<u>\$ 12,677</u>	<u>73,857</u>	<u>76,480</u>	<u>2,623</u>	<u>0</u>

(Continued)

TRI-CITIES AIRPORT AUTHORITY
TENNESSEE GRANT 82-555-0726-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2017

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Rehabilitate Terminal Access Road	\$ 201,172	1,049,400	1,340,276	290,876	-
Emergency Operations Center					
Access Control, Security Center Relocation and Perimeter Security Fence	-	907,122	754,921	(152,201)	-
	<u>\$ 201,172</u>	<u>\$ 1,956,522</u>	<u>\$ 2,095,197</u>	<u>\$ 138,675</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (90%)	\$ 181,055	1,760,869	1,885,677	124,808	-
State Grant (5%)	10,059	52,468	55,500	3,032	-
State Grant	-	37,500	37,500	-	-
Tri-Cities Airport Authority	10,058	105,685	116,520	10,835	-
	<u>\$ 201,172</u>	<u>1,956,522</u>	<u>2,095,197</u>	<u>138,675</u>	<u>0</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY
TENNESSEE GRANT 82-555-0727-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2017**

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Short-Term Parking Entrance	\$ 6,171	457,362	457,342	(20)	-
	<u>\$ 6,171</u>	<u>457,362</u>	<u>457,342</u>	<u>(20)</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (95%)	\$ 5,844	434,475	434,475	-	-
Tri-Cities Airport Authority	327	22,887	22,867	(20)	-
	<u>\$ 6,171</u>	<u>457,362</u>	<u>457,342</u>	<u>(20)</u>	<u>0</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY
TENNESSEE GRANT 82-555-0731-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2017**

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Access Road and Parking Lot Improvements Phase II	\$ 38,026	2,309,332	2,275,000	(34,332)	-
	<u>\$ 38,026</u>	<u>2,309,332</u>	<u>2,275,000</u>	<u>(34,332)</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (95%)	\$ 3,509	2,161,250	2,161,250	-	-
Tri-Cities Airport Authority	<u>34,517</u>	<u>148,082</u>	<u>113,750</u>	<u>(34,332)</u>	<u>-</u>
	<u>\$ 38,026</u>	<u>2,309,332</u>	<u>2,275,000</u>	<u>(34,332)</u>	<u>0</u>

(Continued)

TRI-CITIES AIRPORT AUTHORITY
TENNESSEE GRANT 82-555-0733-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2017

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Area Energy Efficient Study	\$ 1,498	113,211	112,700	(511)	-
	<u>\$ 1,498</u>	<u>113,211</u>	<u>112,700</u>	<u>(511)</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (95%)	\$ 993	107,065	107,065	-	-
Tri-Cities Airport Authority	505	6,146	5,635	(511)	-
	<u>\$ 1,498</u>	<u>113,211</u>	<u>112,700</u>	<u>(511)</u>	<u>0</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY
TENNESSEE GRANT 82-555-0734-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2017**

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Professional Services Phase III	\$ 2,484	139,654	139,654	-	-
	<u>\$ 2,484</u>	<u>139,654</u>	<u>139,654</u>	<u>0</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (95%)	\$ 2,360	132,672	132,672	-	-
Tri-Cities Airport Authority	124	6,982	6,982	-	-
	<u>\$ 2,484</u>	<u>139,654</u>	<u>139,654</u>	<u>0</u>	<u>0</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY
TENNESSEE GRANT 82-555-0737-16
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2017**

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
2016 Professional Services	\$ 104,500	104,500	100,000	(4,500)	-
	<u>\$ 104,500</u>	<u>104,500</u>	<u>100,000</u>	<u>(4,500)</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (95%)	\$ 95,000	95,000	95,000	-	-
Tri-Cities Airport Authority	9,500	9,500	5,000	(4,500)	-
	<u>\$ 104,500</u>	<u>104,500</u>	<u>100,000</u>	<u>(4,500)</u>	<u>0</u>

(Continued)

TRI-CITIES AIRPORT AUTHORITY
TENNESSEE GRANT 82-555-0739-16
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2017

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
GA Ramp Expansion and Rehab Phase III	\$ 1,191,615	1,191,615	1,384,649	193,034	-
	<u>\$ 1,191,615</u>	<u>1,191,615</u>	<u>1,384,649</u>	<u>193,034</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (90%)	\$ 1,072,453	1,072,454	1,246,184	173,730	-
State Grant (5%)	59,581	59,581	69,232	9,651	-
Tri-Cities Airport Authority	59,581	59,580	69,233	9,653	-
	<u>\$ 1,191,615</u>	<u>1,191,615</u>	<u>1,384,649</u>	<u>193,034</u>	<u>0</u>

(Continued)

TRI-CITIES AIRPORT AUTHORITY
TENNESSEE GRANT 82-555-0741-17
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2017

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Professional Services FY2017	\$ 14,729	14,729	200,000	185,271	-
	<u>\$ 14,729</u>	<u>14,729</u>	<u>200,000</u>	<u>185,271</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (95%)	\$ 13,993	13,993	190,000	176,007	-
Tri-Cities Airport Authority	<u>736</u>	<u>736</u>	<u>10,000</u>	<u>9,264</u>	<u>-</u>
	<u>\$ 14,729</u>	<u>14,729</u>	<u>200,000</u>	<u>185,271</u>	<u>0</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY
TENNESSEE GRANT 82-555-1720-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2017**

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Checkpoint Improvement	\$ -	237,935	250,106	12,171	-
GA Development Hangars	7,892	144,027	236,107	92,080	-
GA Ramp Expansion and Rehabilitation Phase II	873,594	2,089,928	1,976,431	(113,497)	-
Runway 5/23 Depression	28,522	28,522	28,522	-	-
	<u>\$ 910,008</u>	<u>2,500,412</u>	<u>2,491,166</u>	<u>(9,246)</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant	\$ 803,597	2,112,440	2,112,440	-	-
State Grant	9,327	131,850	131,850	-	-
State Grant	44,650	117,363	117,363	-	-
Tri-Cities Airport Authority	52,434	138,759	129,513	(9,246)	-
	<u>\$ 910,008</u>	<u>2,500,412</u>	<u>2,491,166</u>	<u>(9,246)</u>	<u>0</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY
TENNESSEE GRANT 82-555-1721-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2017**

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Equipment Replacement	\$ 32,756	182,651	182,500	(151)	-
	<u>\$ 32,756</u>	<u>182,651</u>	<u>182,500</u>	<u>(151)</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 29,344	164,250	164,250	-	-
Tri-Cities Airport Authority	<u>3,412</u>	<u>18,401</u>	<u>18,250</u>	<u>(151)</u>	<u>-</u>
	<u>\$ 32,756</u>	<u>182,651</u>	<u>182,500</u>	<u>(151)</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT AUTHORITY
SCHEDULE OF PASSENGER FACILITY CHARGES,
INVESTMENT INCOME AND RELATED EXPENDITURES
For the Fiscal Year Ended June 30, 2017

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Cash Balance, July 1, 2016					\$ 1,351,351
Passenger Facility Charges	216,524	204,430	180,103	201,397	802,454
Investment Income	501	36	44	71	652
Related Expenditures	(1,386,100)	(204,343)	(74,505)	(154,056)	<u>(1,819,004)</u>
Bank Balance, June 30, 2017					335,453
Outstanding Checks, June 30, 2017					<u>(37,362)</u>
Cash Balance, June 30, 2017					298,091
PFC Receivable, June 30, 2017					<u>121,513</u>
Restricted PFC Funds					<u><u>\$ 419,604</u></u>

See Independent Auditors' Report.

Statistical

- Unaudited financial and demographic information



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STATISTICAL SECTION

The statistical section of the Comprehensive Annual Financial Report provides detailed information to enhance the understanding of the financial condition of the Tri-Cities Airport Authority. This statistical section is from the Authority's fiscal year 2017 Comprehensive Annual Financial Report.

CONTENTS

Financial Trends

These schedules contain trend information to help the reader understand how the Authority's financial performance and condition have changed over time.

Revenue Capacity

These schedules contain information to help the reader understand the make-up of the Authority's revenue sources. The Authority presents landed weights, square footage, public safety reimbursement and other airline related revenues along with parking rates to illustrate their primary revenue sources.

Debt Capacity

These schedules present information on the Authority's ability to meet their current debt service. The Authority did not have any long-term bond debt prior to 1995. A schedule is included for Passenger Facility Charges and Customer Facility Charges as these two restricted revenue sources are the primary source for long-term bond debt service.

Demographic and Economic Information

These schedules offer demographic and economic indicators to show the environment within the surrounding area of the Airport.

Operating Information

These schedules contain service and infrastructure data to assist the reader in understanding how the Authority operates. The schedules presented include operating results, employees, capital assets, and source of funding for capital assets.

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Tri-Cities Airport Authority
TABLE 1:
Net Position and Changes in Net Position
Last Ten Fiscal Years (unaudited)

	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>
OPERATING REVENUES	\$ 6,806,062	\$ 6,593,732	\$ 6,583,279	\$ 6,281,012	\$ 6,080,339	\$ 6,160,383	\$ 5,896,264	\$ 5,693,560	\$ 5,818,444	\$ 6,117,331
OPERATING EXPENSES	<u>6,430,436</u>	<u>6,177,281</u>	<u>5,845,353</u>	<u>5,804,594</u>	<u>5,669,838</u>	<u>5,422,576</u>	<u>5,347,016</u>	<u>5,101,080</u>	<u>5,431,972</u>	<u>5,415,059</u>
OPERATING INCOME BEFORE DEPRECIATION & AMORTIZATION	\$ 375,626	\$ 416,451	\$ 737,926	\$ 476,418	\$ 410,501	\$ 737,807	\$ 549,248	\$ 592,480	\$ 386,472	\$ 702,272
LESS: DEPRECIATION	5,451,093	4,827,993	4,033,759	3,643,867	3,510,733	3,319,171	3,148,163	3,053,364	2,855,601	2,889,942
AMORTIZATION	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,500</u>	<u>13,500</u>	<u>13,501</u>	<u>13,501</u>	<u>13,501</u>
OPERATING LOSS	\$ (5,075,467)	\$ (4,411,542)	\$ (3,295,833)	\$ (3,167,449)	\$ (3,100,232)	\$ (2,594,864)	\$ (2,612,415)	\$ (2,474,385)	\$ (2,482,630)	\$ (2,201,171)
OTHER NON-OPERATING REVENUES (EXPENSES)	<u>1,172,161</u>	<u>1,225,176</u>	<u>1,240,593</u>	<u>967,567</u>	<u>917,552</u>	<u>1,253,169</u>	<u>936,264</u>	<u>809,692</u>	<u>781,318</u>	<u>878,429</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS	\$ (3,903,306)	\$ (3,186,366)	\$ (2,055,240)	\$ (2,199,882)	\$ (2,182,680)	\$ (1,341,695)	\$ (1,676,151)	\$ (1,664,693)	\$ (1,701,312)	\$ (1,322,742)
CAPITAL CONTRIBUTIONS	<u>2,710,960</u>	<u>6,495,422</u>	<u>3,541,492</u>	<u>18,148,327</u>	<u>7,859,918</u>	<u>4,821,258</u>	<u>3,640,905</u>	<u>6,774,016</u>	<u>7,485,388</u>	<u>4,330,262</u>
CHANGE IN NET POSITION	<u>\$ (1,192,346)</u>	<u>\$ 3,309,056</u>	<u>\$ 1,486,252</u>	<u>\$ 15,948,445</u>	<u>\$ 5,677,238</u>	<u>\$ 3,479,563</u>	<u>\$ 1,964,754</u>	<u>\$ 5,109,323</u>	<u>\$ 5,784,076</u>	<u>\$ 3,007,520</u>
NET POSITION AT FISCAL YEAR-END										
NET INVESTMENT IN CAPITAL ASSETS	\$ 85,937,154	\$ 84,797,286	\$ 82,726,596	\$ 81,727,565	\$ 65,756,371	\$ 61,201,867	\$ 58,312,190	\$ 56,595,863	\$ 50,301,978	\$ 45,438,936
RESTRICTED - PASSENGER FACILITY CHARGE and CUSTOMER FACILITY CHARGE	806,721	1,711,168	1,445,301	796,617	898,330	898,414	819,966	754,568	806,920	566,711
UNRESTRICTED	<u>3,809,195</u>	<u>5,236,962</u>	<u>4,264,463</u>	<u>5,540,500</u>	<u>5,461,536</u>	<u>4,402,773</u>	<u>3,891,335</u>	<u>3,708,306</u>	<u>4,840,516</u>	<u>4,159,691</u>
TOTAL NET POSITION	<u>\$ 90,553,070</u>	<u>\$ 91,745,416</u>	<u>\$ 88,436,360</u>	<u>\$ 88,064,682</u>	<u>\$ 72,116,237</u>	<u>\$ 66,503,054</u>	<u>\$ 63,023,491</u>	<u>\$ 61,058,737</u>	<u>\$ 55,949,414</u>	<u>\$ 50,165,338</u>

Source: Audited Financial Statements

See Independent Auditors' Report.

Tri-Cities Airport Authority
TABLE 2:
Changes in Cash and Cash Equivalents
Last Ten Fiscal Years (unaudited)

	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>
Cash Flows From Operating Activities										
Cash received from customers	\$ 6,737,840	\$ 6,590,512	\$ 6,610,322	\$ 6,239,332	\$ 6,202,306	\$ 5,971,326	\$ 5,753,038	\$ 5,702,985	\$ 5,796,913	\$ 6,140,734
Cash payments to suppliers	(2,803,074)	(2,003,965)	(1,988,129)	(2,154,637)	(2,033,952)	(1,868,890)	(1,955,865)	(1,163,492)	(1,952,309)	(1,563,139)
Cash payments to employees	(2,621,256)	(2,483,848)	(2,343,239)	(2,366,329)	(2,322,415)	(2,425,125)	(2,254,986)	(2,411,072)	(2,345,715)	(2,260,532)
Cash paid out for employee benefits	(1,231,714)	(1,158,765)	(1,123,256)	(1,075,840)	(1,072,505)	(1,060,836)	(1,024,075)	(1,055,427)	(1,053,814)	(1,064,303)
Cash payments for insurance	<u>(246,781)</u>	<u>(341,623)</u>	<u>(243,285)</u>	<u>(175,654)</u>	<u>(236,705)</u>	<u>(237,684)</u>	<u>(208,614)</u>	<u>(249,790)</u>	<u>(222,280)</u>	<u>(249,566)</u>
Net Cash Provided (Used) by Operating Activities	<u>(164,985)</u>	<u>602,311</u>	<u>912,413</u>	<u>466,872</u>	<u>536,729</u>	<u>378,791</u>	<u>309,498</u>	<u>823,204</u>	<u>222,795</u>	<u>1,003,194</u>
Cash Flows From Capital and Related Financing Activities										
Acquisition and Construction of Capital Assets	(6,335,963)	(6,747,201)	(5,114,219)	(18,737,335)	(7,111,372)	(5,320,481)	(4,172,542)	(8,648,385)	(7,419,623)	(4,216,586)
Proceeds from Sale of Assets	5,181	8,329	10,971	8,697	9,745	29,485	-	-	-	-
Proceeds from Sale of Land to State of Tennessee	-	-	-	-	-	241,712	-	-	-	-
Capital Grants and Contributions received	5,104,605	5,773,984	3,176,402	19,055,924	7,337,108	4,321,741	3,859,505	6,897,168	6,967,113	3,617,479
PFC Funds Received	802,454	878,698	887,659	840,975	792,157	913,460	862,463	808,349	795,705	836,158
CFC Funds Received	402,200	416,225	374,882	341,898	381,681	379,825	355,410	322,865	275,044	280,364
Interest Paid	(59,868)	(66,067)	(86,042)	(182,939)	(263,969)	(296,105)	(325,425)	(352,352)	(376,377)	(399,533)
Cost of Issuing Debt	-	-	-	(73,202)	-	-	-	-	-	-
Principal paid on long-term debt	<u>(310,000)</u>	<u>(310,000)</u>	<u>(290,000)</u>	<u>(1,375,000)</u>	<u>(785,000)</u>	<u>(750,000)</u>	<u>(720,000)</u>	<u>(695,000)</u>	<u>(670,000)</u>	<u>(645,000)</u>
Net Cash Provided (Used for) Capital and Related Financing Activities	<u>(391,391)</u>	<u>(46,032)</u>	<u>(1,040,347)</u>	<u>(120,982)</u>	<u>360,350</u>	<u>(480,363)</u>	<u>(140,589)</u>	<u>(1,667,355)</u>	<u>(428,138)</u>	<u>(527,118)</u>
Cash Flows From Investing Activities										
Purchase of Investments	(19,487)	(9,258)	(641,301)	(17,793)	(459,224)	(12,019)	(330,337)	(35,325)	(1,720,370)	(518,499)
Sales of Investments	317,706	-	-	-	-	-	309,564	421,328	614,584	-
Interest Received	14,145	13,068	18,237	21,284	21,939	17,660	31,380	69,405	65,844	159,649
Cash Paid for Management Fees	-	-	-	-	-	-	(480)	(480)	(480)	(548)
Net Cash Provided By (Used for) Investing Activities	<u>312,364</u>	<u>3,810</u>	<u>(623,064)</u>	<u>3,491</u>	<u>(437,285)</u>	<u>5,641</u>	<u>10,127</u>	<u>454,928</u>	<u>(1,040,422)</u>	<u>(359,398)</u>
Net Increase (Decrease) In Cash and Cash Equivalents	<u>(244,012)</u>	<u>560,089</u>	<u>(750,998)</u>	<u>349,381</u>	<u>459,794</u>	<u>(95,931)</u>	<u>179,036</u>	<u>(389,223)</u>	<u>(1,245,765)</u>	<u>116,678</u>
Cash and Cash Equivalents at Beginning of Fiscal Year	<u>3,461,938</u>	<u>2,901,849</u>	<u>3,652,847</u>	<u>3,303,466</u>	<u>2,843,672</u>	<u>2,939,603</u>	<u>2,760,567</u>	<u>3,149,790</u>	<u>4,395,555</u>	<u>4,278,877</u>
Cash and Cash Equivalents at End of Fiscal Year	<u>\$ 3,217,926</u>	<u>\$ 3,461,938</u>	<u>\$ 2,901,849</u>	<u>\$ 3,652,847</u>	<u>\$ 3,303,466</u>	<u>\$ 2,843,672</u>	<u>\$ 2,939,603</u>	<u>\$ 2,760,567</u>	<u>\$ 3,149,790</u>	<u>\$ 4,395,555</u>

Source: Audited Financial Statements

See Independent Auditors' Report.

Tri-Cities Airport Authority
TABLE 3:
Restricted Assets
Last Ten Fiscal Years (unaudited)

<u>Fiscal Year</u>	<u>Bond Escrow</u>	<u>Construction Deposits and Retainage Escrows</u>	<u>PFC Funds</u>	<u>CFC Funds</u>	<u>RESTRICTED ASSETS TOTAL</u>
2017	\$ 386,315	\$ 260,708	\$ 419,604	\$ 387,117	\$ 1,453,744
2016	\$ 384,330	\$ 191,035	\$ 1,468,996	\$ 339,127	\$ 2,383,488
2015	\$ 383,434	\$ 328,381	\$ 1,027,499	\$ 197,426	\$ 1,936,740
2014	\$ 383,010	\$ 725,899	\$ 796,617	\$ 311,138	\$ 2,216,664
2013	\$ 1,058,760	\$ 506,565	\$ 898,330	\$ 267,694	\$ 2,731,349
2012	\$ 1,058,760	\$ 264,167	\$ 898,414	\$ 212,169	\$ 2,433,510
2011	\$ 1,058,760	\$ 104,006	\$ 819,966	\$ 207,869	\$ 2,190,601
2010	\$ 1,058,760	\$ 101,594	\$ 754,568	\$ 171,223	\$ 2,086,145
2009	\$ 1,058,760	\$ 219,329	\$ 806,919	\$ 192,970	\$ 2,277,978
2008	\$ 1,061,800	\$ 428,979	\$ 566,711	\$ 242,357	\$ 2,299,847

Source: Audited Financial Statements

See Independent Auditors' Report.

Tri-Cities Airport Authority
TABLE 4:
Principal Revenue Sources and Revenue Per Enplaned Passenger
Last Ten Fiscal Years (unaudited)

	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
Airline Revenues:										
Landing Fees *	\$ 628,126	\$ 572,808	\$ 560,114	\$ 547,043	\$ 533,275	\$ 514,771	\$ 497,944	\$ 516,107	\$ 593,664	\$ 613,527
Terminal Rents	864,845	842,998	820,622	820,633	798,990	815,561	788,539	752,467	802,421	775,683
Security Reimbursements	624,384	620,879	603,625	576,525	561,193	556,313	553,268	560,580	568,086	609,186
Jetway Fees	17,730	10,455	15,750	8,790	11,430	27,795	19,410	8,230	5,400	7,275
Other	129,645	123,620	125,695	129,916	130,534	5,052	5,089	4,774	7,827	8,554
Total Airline Revenue	\$ 2,264,730	\$ 2,170,760	\$ 2,125,806	\$ 2,082,907	\$ 2,035,422	\$ 1,919,492	\$ 1,864,250	\$ 1,842,158	\$ 1,977,398	\$ 2,014,225
<i>Percent of Total Operating Revenues</i>	<i>33.3%</i>	<i>32.9%</i>	<i>32.3%</i>	<i>33.2%</i>	<i>33.5%</i>	<i>31.2%</i>	<i>31.6%</i>	<i>32.4%</i>	<i>34.0%</i>	<i>32.9%</i>
Non-Airline Revenues										
Parking	2,121,611	2,073,285	2,098,296	1,895,843	1,868,305	1,945,375	1,858,862	1,704,348	1,782,756	1,878,917
<i>Percent of Total Operating Revenues</i>	<i>31%</i>	<i>31%</i>	<i>32%</i>	<i>30%</i>	<i>31%</i>	<i>32%</i>	<i>32%</i>	<i>30%</i>	<i>31%</i>	<i>31%</i>
Rental Car	973,619	953,139	928,893	895,804	822,556	873,378	792,309	764,671	679,626	840,589
Other	1,446,102	1,396,548	1,430,284	1,406,458	1,354,056	1,422,138	1,380,843	1,382,383	1,378,664	1,383,600
Total Non-Airline Revenues	\$ 4,541,332	\$ 4,422,972	\$ 4,457,473	\$ 4,198,105	\$ 4,044,917	\$ 4,240,891	\$ 4,032,014	\$ 3,851,402	\$ 3,841,046	\$ 4,103,106
<i>Percent of Total Operating Revenues</i>	<i>66.7%</i>	<i>67.1%</i>	<i>67.7%</i>	<i>66.8%</i>	<i>66.5%</i>	<i>68.8%</i>	<i>68.4%</i>	<i>67.6%</i>	<i>66.0%</i>	<i>67.1%</i>
Total Operating Revenues	\$ 6,806,062	\$ 6,593,732	\$ 6,583,279	\$ 6,281,012	\$ 6,080,339	\$ 6,160,383	\$ 5,896,264	\$ 5,693,560	\$ 5,818,444	\$ 6,117,331
<i>Percent of Total Revenues</i>	<i>84.7%</i>	<i>83.7%</i>	<i>83.4%</i>	<i>83.3%</i>	<i>83.7%</i>	<i>79.9%</i>	<i>82.3%</i>	<i>83.0%</i>	<i>83.3%</i>	<i>82.7%</i>
Nonoperating Revenues										
Passenger Facility Charges	\$ 806,322	\$ 846,289	\$ 908,049	\$ 883,130	\$ 771,260	\$ 884,120	\$ 879,296	\$ 790,497	\$ 843,482	\$ 832,657
Customer Facility Charges	402,200	416,225	374,882	341,898	381,681	379,825	355,410	307,017	253,729	291,228
Interest Income	14,145	13,068	18,237	21,284	21,939	17,660	31,380	69,405	65,844	159,649
Sale of Land to State of Tennessee	-	-	-	-	-	241,712	-	-	-	-
Proceeds on Sale of Assets	5,181	8,329	10,971	8,697	9,745	29,485	-	-	-	-
Total Nonoperating Revenues	\$ 1,227,848	\$ 1,283,911	\$ 1,312,139	\$ 1,255,009	\$ 1,184,625	\$ 1,552,802	\$ 1,266,086	\$ 1,166,919	\$ 1,163,055	\$ 1,283,534
<i>Percent of Total Revenues</i>	<i>15.3%</i>	<i>16.3%</i>	<i>16.6%</i>	<i>16.7%</i>	<i>16.3%</i>	<i>20.1%</i>	<i>17.7%</i>	<i>17.0%</i>	<i>16.7%</i>	<i>17.3%</i>
Total Revenues	\$ 8,033,910	\$ 7,877,643	\$ 7,895,418	\$ 7,536,021	\$ 7,264,964	\$ 7,713,185	\$ 7,162,350	\$ 6,860,479	\$ 6,981,499	\$ 7,400,865
Enplaned Passengers (excluding charters)	202,665	213,500	220,184	202,935	203,161	221,681	214,669	198,995	205,547	210,244
Airline Revenue Per enplaned passenger	\$ 11.17	\$ 10.17	\$ 9.65	\$ 10.26	\$ 10.02	\$ 8.66	\$ 8.68	\$ 9.26	\$ 9.62	\$ 9.58
Parking Revenue per enplaned passenger	\$ 10.47	\$ 9.71	\$ 9.53	\$ 9.34	\$ 9.20	\$ 8.78	\$ 8.66	\$ 8.56	\$ 8.67	\$ 8.94
Total Revenue Per enplaned passenger	\$ 39.64	\$ 36.90	\$ 35.86	\$ 37.14	\$ 35.76	\$ 34.79	\$ 33.36	\$ 34.48	\$ 33.97	\$ 35.20

Source: Audited Financial Statements and
Tri-Cities Airport Authority Activity Reports

Tri-Cities Airport Authority
TABLE 5:
Revenue Rates
Last Ten Fiscal Years (unaudited)

	SIGNATORY AIRLINE RATES AND CHARGES									
	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>
Landing Fees (per 1,000 lbs. MGLW)	\$ 2.49	\$ 2.32	\$ 2.25	\$ 2.25	\$ 2.17	\$ 1.94	\$ 1.94	\$ 1.94	\$ 1.94	\$ 1.85
Terminal Rental Rates (per square foot)	\$ 35.73	\$ 34.85	\$ 33.92	\$ 33.92	\$ 33.01	\$ 32.20	\$ 31.11	\$ 40.52	\$ 40.52	\$ 38.74
Terminal Aircraft Parking Apron Fee, per turn	\$ 11.18	\$ 11.07	\$ 11.93	\$ 10.77	\$ 9.02	\$ 7.47	\$ 6.00	\$ -	\$ -	\$ -
Jetway Use Fee (per use)	\$ 18.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00
Annual Security Reimbursement *	\$ 624,384	\$ 620,879	\$ 603,625	\$ 576,525	\$ 561,193	\$ 556,313	\$ 553,268	\$ 560,580	\$ 568,086	\$ 609,186

* Security Reimbursement is set at fifty percent of the annual Public Safety operating budget.

	PARKING RATES									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Long-Term Parking - Daily **	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00
	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min **	\$1 per 30 min **	\$1 per hour	\$1 per hour	\$1 per hour
Short-Term Parking - Daily	\$ 12.00	\$ 12.00	\$ 12.00	\$ 12.00	\$ 12.00	\$ 12.00	\$ 12.00	\$ 10.00	\$ 10.00	\$ 10.00
- Incremental	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min

** - \$1.00 per hour after the first day up to the full day rate.

Source: Tri-Cities Airport Authority Lease Data

Tri-Cities Airport Authority
TABLE 6:
Enplaned Passengers
Last Ten Fiscal Years (unaudited)

Airline	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
Allegiant Air	25,010	26,018	27,713	30,044	31,460	30,879	33,181	31,198	38,499	26,020
US Airways Express (Air Wisconsin)	-	-	7	3,818	9,327	13,633	443	-	-	460
American Connection/Eagle	-	-	-	-	-	11,796	19,004	-	-	-
Delta (Atlantic Southeast Airlines)	-	-	-	-	-	60,052	90,866	87,223	64,576	53,075
Delta (Chautauqua)	-	-	-	-	-	-	-	1,178	17,709	30,864
Delta (Comair)	-	-	-	-	-	-	7,027	1,232	2,233	3,908
Delta (Freedom)	-	-	-	-	-	-	67	10,969	4,010	11,586
Delta (Pinnacle)	-	-	-	-	-	144	8,558	3,611	-	-
US Airways Express (Mesa Jet)	-	-	-	660	160	459	366	602	671	959
Northwest Airlink	-	-	-	-	-	-	-	1,351	22,467	22,776
Sky West	-	-	-	-	-	-	-	6,162	-	-
US Airways Express (Piedmont)	54,527	58,111	44,305	45,317	45,251	19,151	24,896	29,336	33,877	38,198
US Airways Express (PSA Airlines)	9,503	7,792	25,364	16,732	8,137	28,476	30,261	26,133	21,505	22,398
DELTA (XJT Express Jet)	113,625	121,579	122,795	106,364	108,826	57,091	-	-	-	-
Sub-Total Air Carriers	202,665	213,500	220,184	202,935	203,161	221,681	214,669	198,995	205,547	210,244
Charters	682	913	1,008	1,995	1,303	1,696	2,673	3,110	4,884	2,837
Total	203,347	214,413	221,192	204,930	204,464	223,377	217,342	202,105	210,431	213,081

Source: Tri-Cities Airport Authority Traffic Reports.

Tri-Cities Airport Authority
TABLE 7a:
Airline Landed Weights (000's Omitted)
Last Ten Fiscal Years (unaudited)

<u>Air Carriers</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>
Air Wisconsin	47	94	188	5,264	11,327	19,176	1,833	141	-	1,786
Allegiant Airlines	27,688	26,739	26,861	28,653	30,913	31,075	34,062	32,930	42,019	28,929
American Eagle/ Conn	-	-	-	-	-	14,713	28,308	-	-	-
Atlantic Southeast	-	-	-	-	-	68,407	113,196	115,660	93,915	71,061
Chautauqua Airlines	-	-	-	-	-	-	-	1,833	27,449	45,249
Comair	-	-	-	-	-	-	9,447	1,504	3,619	6,392
Freedom	-	-	-	-	-	-	170	15,233	5,489	14,595
Mesa Jet	-	-	74	809	662	1,103	441	956	1,544	1,360
Northwest Airlink	-	-	-	-	-	-	-	1,625	43,087	41,411
Piedmont	62,394	62,081	46,512	52,157	55,311	28,597	35,913	41,721	51,299	54,177
Pinnacle	-	-	-	-	-	141	15,275	6,909	-	-
PSA Airlines	15,248	12,219	29,898	21,572	12,198	38,458	46,132	39,263	38,825	42,720
Sky West	-	-	-	-	-	-	-	9,024	-	-
Delta	147,139	145,399	145,411	134,675	135,330	67,220	-	-	-	-
Subtotal	252,516	246,532	248,944	243,130	245,741	268,890	284,777	266,799	307,246	307,680
Charters	2,254	2,451	2,459	5,059	3,436	4,297	7,807	7,702	10,070	7,082
Total Air Carriers	254,770	248,983	251,403	248,189	249,177	273,187	292,584	274,501	317,316	314,762

Source: Tri-Cities Airport Activity Reports

Tri-Cities Airport Authority
TABLE 7b:
Cargo Landed Weights
Last Ten Fiscal Years (unaudited)

<u>Cargo Carriers</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>
ABX (DHL)/Airborne	-	-	-	-	-	-	-	-	21,161	50,945
Flight Express	-	-	-	-	-	-	408	612	5,409	8,359
Quest Diagnostic	1,290	1,296	756	-	-	1,188	1,296	1,296	1,296	-
Berry Aviation	-	25	-	16	-	27	14	-	-	-
IFL	-	-	-	80	-	86	46	529	21	-
Royal Air Freight	-	-	40	27	-	238	29	-	-	-
Solstas	-	-	510	1,224	918	-	-	-	-	-
Ruslan	-	-	1,728	-	-	-	-	-	-	-
Other	209	25	735	245	82	1,342	646	3,357	59	1,647
	<u>1,499</u>	<u>1,346</u>	<u>3,769</u>	<u>1,592</u>	<u>1,000</u>	<u>2,881</u>	<u>2,439</u>	<u>5,794</u>	<u>27,946</u>	<u>60,951</u>
TOTAL LANDED WEIGHTS	<u>256,269</u>	<u>250,329</u>	<u>255,172</u>	<u>249,781</u>	<u>250,177</u>	<u>276,068</u>	<u>295,023</u>	<u>280,295</u>	<u>345,262</u>	<u>375,713</u>

Source: Tri-Cities Airport Activity Report

Tri-Cities Airport Authority
TABLE 8:
Aircraft Movements Summary (Takeoff and Landing)
Last Ten Fiscal Years (unaudited)

See Independent Auditors' Report.	Fiscal Year	Air Carrier	Charters	Cargo Carriers	General Aviation	Air Taxi	Military	Total
	2017	8,480	40	494	27,695	2,789	3,455	42,953
	2016	8,280	68	488	31,979	3,132	2,327	46,274
	2015	8,206	54	524	35,195	2,683	955	47,617
	2014	8,998	189	494	33,683	2,630	488	46,482
	2013	9,538	125	362	34,533	2,584	409	47,551
	2012	10,927	136	520	39,121	1,775	509	52,988
	2011	11,702	204	828	35,868	1,277	920	50,799
	2010	10,928	183	1,056	37,372	1,347	687	51,573
	2009	13,688	-	3,130	35,705	646	501	53,670
	2008	14,384	186	4,592	41,681	299	398	61,540

Source: Air Traffic Reports

Tri-Cities Airport Authority
TABLE 9:
Air Cargo, Freight and Mail
Last Ten Fiscal Years (unaudited)
(amounts expressed in pounds)

Fiscal Year	Air Carriers	Cargo Carriers	Sub-total	Mail	Total
2017	35,122	7,830	42,952	424	43,376
2016	35,774	3,496	39,270	846	40,116
2015	67,630	33,150	100,780	14	100,794
2014	52,449	21,698	74,147	649	74,796
2013	53,739	5,166	58,905	45	58,950
2012	29,557	124,384	153,941	768	154,709
2011	31,489	97,570	129,059	2,479	131,538
2010	45,384	327,030	372,414	5,114	377,528
2009	100,613	5,898,721	5,999,334	1,593	6,000,927
2008	124,357	16,263,784	16,388,141	239	16,388,380

Source: Air Traffic Reports

See Independent Auditors' Report.

Tri-Cities Airport Authority
TABLE 10:
Debt Service Coverage
Last Ten Fiscal Years (unaudited)

	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
Operating Revenues	\$ 6,806,062	\$ 6,583,732	\$ 6,583,279	\$ 6,281,012	\$ 6,080,339	\$ 6,160,383	\$ 5,896,264	\$ 5,693,560	\$ 5,818,444	\$ 6,117,331
Operating Expenses	\$ 6,430,436	\$ 6,177,281	\$ 5,845,353	\$ 5,804,594	\$ 5,669,838	\$ 5,422,576	\$ 5,347,016	\$ 5,101,080	\$ 5,431,972	\$ 5,415,059
Operating Income Before Adjustments	375,626	406,451	737,926	476,418	410,501	737,807	549,248	592,480	386,472	702,272
Other Income	1,172,161	1,225,176	1,240,893	1,255,009	1,184,625	1,552,802	1,266,086	1,166,919	1,163,055	1,283,534
Other Expenses Net of Interest	-	-	-	-	-	-	480	480	480	548
Net Revenues	\$ 1,547,787	\$ 1,631,627	\$ 1,978,819	\$ 1,731,427	\$ 1,595,126	\$ 2,290,609	\$ 1,814,854	\$ 1,758,919	\$ 1,549,047	\$ 1,985,258
Debt Service on airport revenue bonds										
Principal	\$ 310,000	\$ 310,000	\$ 290,000	\$ 1,375,000	\$ 785,000	\$ 750,000	\$ 720,000	\$ 695,000	\$ 670,000	\$ 645,000
Interest	59,868	66,150	86,042	287,442	263,969	295,625	325,425	352,351	376,376	399,533
Total Debt Service	\$ 369,868	\$ 376,150	\$ 376,042	\$ 1,662,442	\$ 1,048,969	\$ 1,045,625	\$ 1,045,425	\$ 1,047,351	\$ 1,046,376	\$ 1,044,533
Coverage ratio * (Revenues/Debt Service)	4.18	4.34	5.26	1.04	1.52	2.19	1.74	1.68	1.48	1.90
* Does not include amounts held in bond reserves	\$ 386,315	\$ 384,330	\$ 383,434	\$ 383,010	\$ 1,058,760	\$ 1,058,760	\$ 1,058,760	\$ 1,058,760	\$ 1,058,760	\$ 1,061,800

Source: Tri-Cities Airport Authority Activity Reports

Tri-Cities Airport Authority
TABLE 11:
Ratios of Outstanding Debt and Debt Service
Last Ten Fiscal Years (unaudited)

	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
Outstanding Debt Per Enplaned Passenger										
Outstanding Debt:										
Airport Revenue Bonds	\$ 2,065,000	\$ 2,375,000	\$ 2,685,000	\$ 2,975,000	\$ 4,350,000	\$ 5,135,000	\$ 5,885,000	\$ 6,605,000	\$ 7,300,000	\$ 7,970,000
Enplaned Passengers	203,347	214,413	221,192	204,930	204,464	223,377	217,342	202,105	210,431	213,081
Outstanding Debt Per Enplaned Passenger	\$ 10	\$ 11	\$ 12	\$ 15	\$ 21	\$ 23	\$ 27	\$ 33	\$ 35	\$ 37
Debt Service										
Principal	\$ 310,000	310,000	290,000	1,375,000	785,000	750,000	720,000	695,000	670,000	645,000
Interest	\$ 59,868	66,068	86,042	287,442	263,969	295,625	325,425	352,351	376,376	399,533
Total Debt Service	369,868	376,068	376,042	1,662,442	1,048,969	1,045,625	1,045,425	1,047,351	1,046,376	1,044,533
Operating expenses	\$ 6,430,436	\$ 6,177,281	\$ 5,845,353	\$ 5,804,594	\$ 5,617,441	\$ 5,422,576	\$ 5,347,016	\$ 5,101,080	\$ 5,431,972	\$ 5,415,059
Total	6,800,304	6,553,349	6,221,395	7,467,036	6,666,410	6,468,201	6,392,441	6,148,431	6,478,348	6,459,592
Ratio of debt service to Total Expenses	5.4%	5.7%	6.0%	22.3%	15.7%	16.2%	16.4%	17.0%	16.2%	16.2%
Debt Service per Enplaned Passenger	\$ 1.82	\$ 1.75	\$ 1.70	\$ 8.11	\$ 5.13	\$ 4.68	\$ 4.81	\$ 5.18	\$ 4.97	\$ 4.90

Source: Audited Financial Statements

Tri-Cities Airport Authority
TABLE 12:
Passenger Facility Charges
Last Ten Fiscal Years (unaudited)

Airline	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
Allegiant Air	\$ 113,846	\$ 115,518	\$ 114,359	\$ 147,833	\$ 127,838	\$ 145,850	\$ 158,203	\$ 160,690	\$ 171,223	\$ 92,092
Delta	430,933	453,855	462,483	442,349	406,398	430,135	391,037	393,130	320,918	387,486
US Airways	-	109,488	307,244	256,055	221,056	229,087	211,119	204,014	212,194	238,354
Northwest	-	-	-	-	-	-	-	4,328	62,851	88,540
American	254,296	159,249	10,727	9,207	15,968	54,724	70,835	2,280	-	-
United	1,343	1,423	-	-	-	24,324	20,162	18,408	-	-
Other	5,904	6,756	13,236	27,686	-	-	27,940	7,647	76,296	26,185
Total PFC Revenue	\$ 806,322	\$ 846,289	\$ 908,049	\$ 883,130	\$ 771,260	\$ 884,120	\$ 879,296	\$ 790,497	\$ 843,482	\$ 832,657
Interest Earned	652	3,260	2,503	2,550	3,625	5,407	9,690	14,211	11,536	10,142
Total PFC Related Revenue	<u>\$ 806,974</u>	<u>\$ 849,549</u>	<u>\$ 910,552</u>	<u>\$ 885,680</u>	<u>\$ 774,885</u>	<u>\$ 889,527</u>	<u>\$ 888,986</u>	<u>\$ 804,708</u>	<u>\$ 855,018</u>	<u>\$ 842,799</u>

Enplaned Passengers	202,665	213,500	220,184	202,935	203,161	221,681	214,669	198,995	205,547	210,244
% of Passengers	90.6%	90.3%	93.9%	99.1%	86.5%	90.8%	93.3%	90.5%	93.5%	90.2%

Source: PFC Quarterly Reports

See Independent Auditors' Report.

Tri-Cities Airport Authority
TABLE 13:
Customer Facility Charges
Last Ten Fiscal Years (unaudited)

Rental Car	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
Alamo	\$ 41,847	\$ 41,231	\$ 37,084	\$ 28,644	\$ 35,001	\$ 31,806	\$ 33,237	\$ 28,413	\$ 21,413	\$ 22,484
Avis	51,668	61,698	61,952	60,917	65,043	68,782	83,511	79,902	66,276	80,675
Budget	69,802	64,118	61,762	58,490	69,696	71,608	78,903	72,729	67,508	64,267
Dollar	12,336	11,609	1,711	-	-	-	-	-	-	-
Enterprise (1)	66,246	61,041	54,281	51,854	62,235	58,234	21,222	-	-	-
Hertz	63,601	72,118	61,770	52,068	57,906	67,635	73,611	76,833	61,866	79,555
National	84,686	93,707	94,126	89,925	91,800	81,760	64,926	49,140	36,666	44,247
Thrifty	12,014	10,703	2,196	-	-	-	-	-	-	-
Total CFC Revenue	\$ 402,200	\$ 416,225	\$ 374,882	\$ 341,898	\$ 381,681	\$ 379,825	\$ 355,410	\$ 307,017	\$ 253,729	\$ 291,228
Interest Earned	1,086	852	966	782	819	1,105	1,522	2,706	4,451	5,361
Total CFC Related Revenue	<u>\$ 403,286</u>	<u>\$ 417,077</u>	<u>\$ 375,848</u>	<u>\$ 342,680</u>	<u>\$ 382,500</u>	<u>\$ 380,930</u>	<u>\$ 356,932</u>	<u>\$ 309,723</u>	<u>\$ 258,180</u>	<u>\$ 296,589</u>

Amount per contract	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 7.00	\$ 7.00
Debt Service Payments (2)	\$ 258,907	\$ 263,248	\$ 263,229	\$ 300,399	\$ 298,290	\$ 299,086	\$ 299,159	\$ 302,201	\$ 301,326	\$ 303,797

(1) Prior to 2011 Enterprise was located off of the airport and, therefore, was not required to charge the Customer Facility Charge.
(2) Debt Service relative to CFC is 70% of annual debt service.

Source: Audited Financial Statements

Tri-Cities Airport Authority
TABLE 14:
Demographic Data - Population
Last Ten Calendar Years (unaudited)

Calendar Year	Air Trade Area	Tennessee
2016	603,941	6,651,194
2015	592,002	6,600,299
2014	593,707	6,549,352
2013	593,480	6,495,978
2012	585,229	6,456,243
2011	586,168	6,403,353
2010	584,319	6,346,105
2009	576,196	6,306,019
2008	573,265	6,214,888
2007	569,644	6,156,719

Source: US Census Bureau

See Independent Auditors' Report.

Tri-Cities Airport Authority
TABLE 15:
Demographic Data - Per Capita Income
Last Ten Calendar Years (unaudited)

Calendar Year	Air Trade Area	Tennessee
2016	37,000	43,326
2015	37,002	42,094
2014	35,456	40,457
2013	35,264	39,558
2012	34,820	39,002
2011	33,706	37,151
2010	31,768	35,426
2009	31,075	34,439
2008	31,377	35,080
2007	30,411	34,181

Source: US Department of Commerce - Bureau of Economic Analysis;
Analysis; Johnson City-Kingsport-Bristol TN-VA (MSAs)

See Independent Auditors' Report.

Tri-Cities Airport Authority
TABLE 16:
Demographic Data - Unemployment Rate Percentage
Last Ten Calendar Years (unaudited)

<u>Calendar Year</u>	<u>Air Trade Area</u>	<u>Tennessee</u>
2016	4.8%	4.7%
2015	5.3%	5.8%
2014	6.6%	6.7%
2013	7.6%	8.2%
2012	7.7%	8.1%
2011	7.6%	9.2%
2010	8.5%	9.8%
2009	9.3%	10.8%
2008	7.0%	6.7%
2007	4.7%	4.8%

Source: US Bureau of Labor Statistics

See Independent Auditors' Report.

Tri-Cities Airport Authority
TABLE 17:
Demographic Data
Top 10 Employers in Region (unaudited)

Company	2016			2006			Industry
	Rank	Employees	Percentage	Rank	Employees	Percentage	
Mountain States Health Alliance	1	8,415	21.4%	3	5,500	13.8%	Health Care
Eastman Chemical Company	2	6,800	17.3%	2	7,500	18.8%	Chemical, Fibers and Plastics
Wellmont Health Systems	3	6,577	16.7%	4	4,491	11.2%	Health Care
K-VA-T Food Stores, Inc.	4	6,483	16.5%	1	11,000	27.5%	Retail / Supermarkets
James H. Quillen VA Medical Center	5	2,250	5.7%	-	-	-	Health Care
East Tennessee State University	6	2,236	5.7%	6	2,088	5.2%	Higher Education
Citi Group	7	1,840	4.7%	5	3,430	8.6%	Customer Service Call Center
Sullivan County Dept. of Education	8	1,755	4.5%	7	1,650	4.1%	Public Education
Kingsport City Schools	9	1,667	4.24%	-	-	-	Public Education
Advanced Call Center Technologies	10	1,300	3.3%	-	-	-	Call Center
Berkline, LLC				8	1,609	4.0%	Furniture
MAHLE				9	1,400	3.5%	Manufacturer
DTR Tennessee, Inc.				10	1,321	3.3%	Manufacturer

Source: The Business Journal 'The Book of Lists'

Tri-Cities Airport Authority
TABLE 18:
Employees by Department *
Last Ten Fiscal Years (unaudited)

Fiscal Years Ending June 30

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Full-Time Employees										
Maintenance	9	9	9	9	9	9	9	9	9	8
Access Control	0	0	0	0	0	0	1	1	1	1
Public Safety	15	15	15	15	15	15	14	13	15	16
Janitorial	6	5	5	6	6	6	6	6	9	10
Airport Services	1	1	1	1	1	1	1	2	2	3
Marketing	2	2	2	2	2	2	3	3	3	3
Air Cargo & Trade Development	1	1	1	1	1	1	1	1	1	1
Ground Handling	0	0	0	0	1	1	1	1	1	1
Administration	9	9	9	9	8	9	9	9	10	10
Total Full-Time Employees	<u>43</u>	<u>42</u>	<u>42</u>	<u>43</u>	<u>43</u>	<u>44</u>	<u>45</u>	<u>45</u>	<u>51</u>	<u>53</u>
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Part-Time and Interim Employees										
Airline Services	12	13	12	8	9	8	7	10	11	11
Access Control	6	7	7	7	7	6	6	6	6	6
Airport Services	1	1	1	1	1	1	2	1	1	1
Maintenance	0	0	0	0	0	0	0	0	0	2
Public Safety	0	0	0	0	0	2	2	2	0	0
Janitorial	5	5	3	4	4	3	3	1	0	0
Admin	0	0	1	1	2	1	1	1	0	0
Total Part-Time Employees	<u>24</u>	<u>26</u>	<u>24</u>	<u>21</u>	<u>23</u>	<u>21</u>	<u>21</u>	<u>21</u>	<u>18</u>	<u>20</u>

* - Based on current active employees as of June 30, 2017.

Source: Tri-Cities Airport Authority Payroll Records

Tri-Cities Airport Authority
TABLE 19:
Insurance in Force (unaudited)
June 30, 2017

Type of Policy	Policy Insurer	Expiration	Policy Limit	Risk Coverage
		Date		
Airport Liability	Chubb / ACE	4/1/2018	\$50,000,000	General Liability
Excess Liability	Chubb / ACE	4/1/2018	\$25,000,000	Over \$1M for Auto and \$1M Employment Liability
Environmental Liability	Colony Specialty	1/1/2018	\$2,000,000	Environmental Contamination from above ground tanks
Data Breach and Privacy Security	Hiscox Insurance	4/1/2018	\$500,000	Data Breach, Media, Cyber
Automobile	Cincinnati Ins. Co.	4/1/2018	\$1,000,000	Bodily Injury and Property Damage, Comp/Collision, Non-owned vehicles
Property	Cincinnati Ins. Co.	4/1/2018	\$39,647,677	Buildings, contents, flood, earthquake
Personal Property	Cincinnati Ins. Co.	4/1/2018	\$2,043,163	
Business Income	Cincinnati Ins. Co.	4/1/2018	\$1,000,000	Loss of Business
Employee Liability	Cincinnati Ins. Co.	4/1/2018	\$1,000,000	Employee Benefits Liability
Equipment	Cincinnati Ins. Co.	4/1/2018	\$1,822,556	
Public Officials	Darwin Select	4/1/2018	\$5,000,000	Airport Commissioners
	Darwin Select	4/1/2018	\$5,000,000	Employment Practices
Crime/Fidelity	Cincinnati Ins. Co.	4/1/2018	\$250,000	Faithful Performance Computer Fraud
Worker's Comp	AIG Property Casualty	4/1/2018	By Law	Employer's liability
	Chartis Aerospace Ins	4/1/2018		Employee bodily injury
Health/Medical	United Healthcare	12/31/2017		Medical/Rx/Vision
Dental	Delta Dental of TN	12/31/2017		Dental
Life	MetLife	12/31/2017		Life/AD&D
Voluntary Products	Met Life USABLE AFLAC	12/31/2017		S/T, L/T disability, additional life, dependent coverage, cancer and accident

See Independent Auditors' Report.

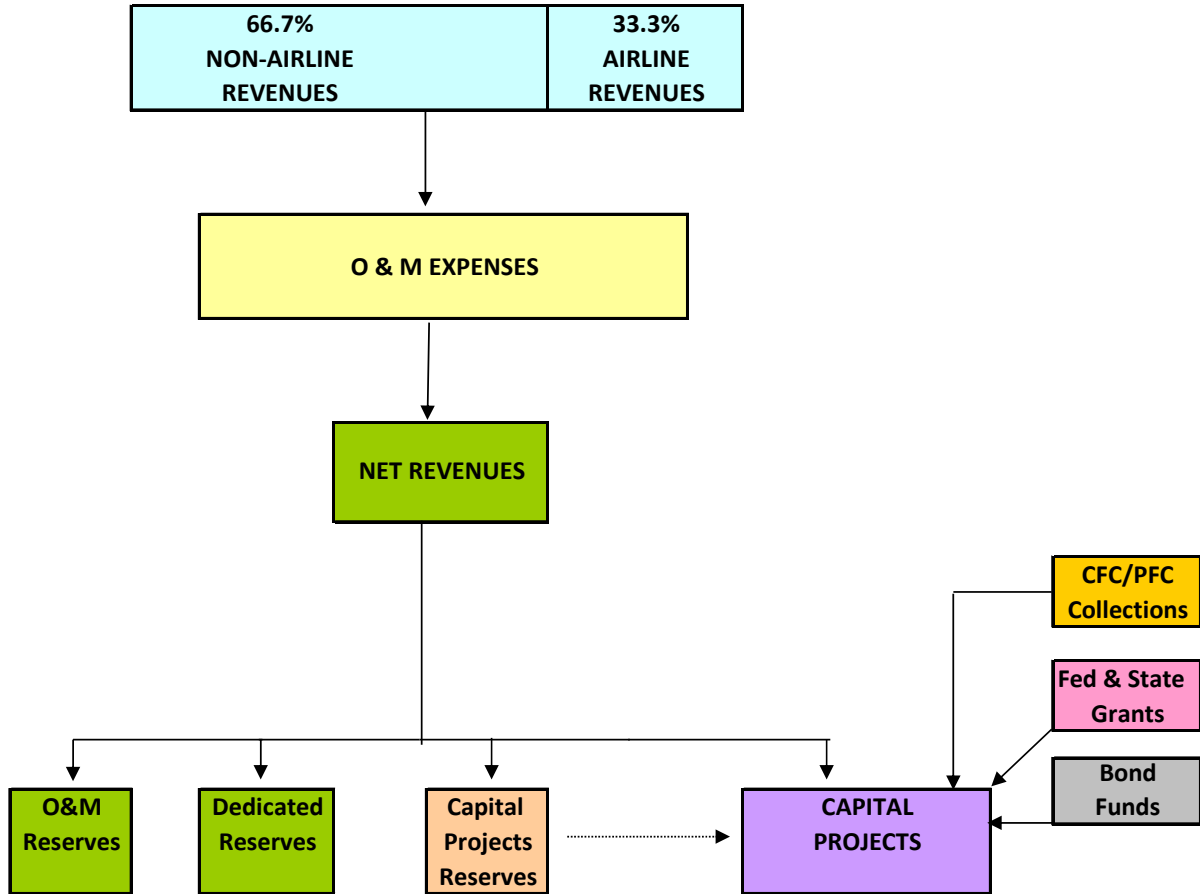
Tri-Cities Airport Authority
TABLE 20:
Capitla Asset Allocation and Funding
Last Ten Fiscal Years

SOURCE OF FUNDS	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
Federal Funds	\$ 2,226,418	\$ 3,378,077	\$ 1,415,152	\$ 17,022,388	\$ 6,831,868	\$ 1,730,504	\$ 2,580,825	\$ 5,170,594	\$ 5,096,784	\$ 3,305,742
State Funds	280,904	3,117,345	2,126,340	1,101,654	1,028,050	3,090,754	1,060,080	1,603,422	2,388,604	1,024,520
Other Capital Contributions	203,638	-	-	-	-	-	-	-	-	-
Airport Funds	1,870,579	1,017,980	749,403	824,771	10,083	495,437	585,931	1,378,032	731,117	115,783
TOTAL SOURCE OF FUNDS	\$ 4,581,539	\$ 7,513,402	\$ 4,290,895	\$ 18,948,813	\$ 7,870,001	\$ 5,316,695	\$ 4,226,836	\$ 8,152,048	\$ 8,216,505	\$ 4,446,045
USE OF FUNDS										
Land	\$ 112,489	\$ -	\$ -	\$ -	\$ 356,355	\$ 1,393,176	\$ 471,083	\$ 1,007,132	\$ 700,492	\$ 719,530
Construction In Progress	(4,888,973)	(12,518,123)	(7,395,486)	15,241,711	6,006,734	(3,722,980)	(68,823)	460,791	6,573,883	2,104,451
Runways, Roads, etc.	5,861,453	15,630,342	10,461,967	1,188,840	1,004,302	5,310,193	2,900,891	6,342,221	494,802	87,479
Parking Lot	495,809	-	-	-	-	3,500	-	-	34,359	1,245,403
Terminal Building	1,717,643	1,478,087	3,456	1,725,255	27,746	1,808,904	-	11,359	123,285	63,017
Other Buildings	163,840	2,659,766	1,055,693	-	-	109,504	22,703	124,262	-	53,630
Equipment and Vehicles	1,083,739	263,330	165,265	128,486	432,052	414,398	900,982	91,046	235,252	172,535
Master Plans	35,539	-	-	664,521	42,812	-	-	115,237	54,432	-
TOTAL USE OF FUNDS	\$ 4,581,539	\$ 7,513,402	\$ 4,290,895	\$ 18,948,813	\$ 7,870,001	\$ 5,316,695	\$ 4,226,836	\$ 8,152,048	\$ 8,216,505	\$ 4,446,045

Source: Audited Financial Statements

See Independent Auditors' Report.

Tri-Cities Airport Authority
TABLE 21:
Flow of Funds

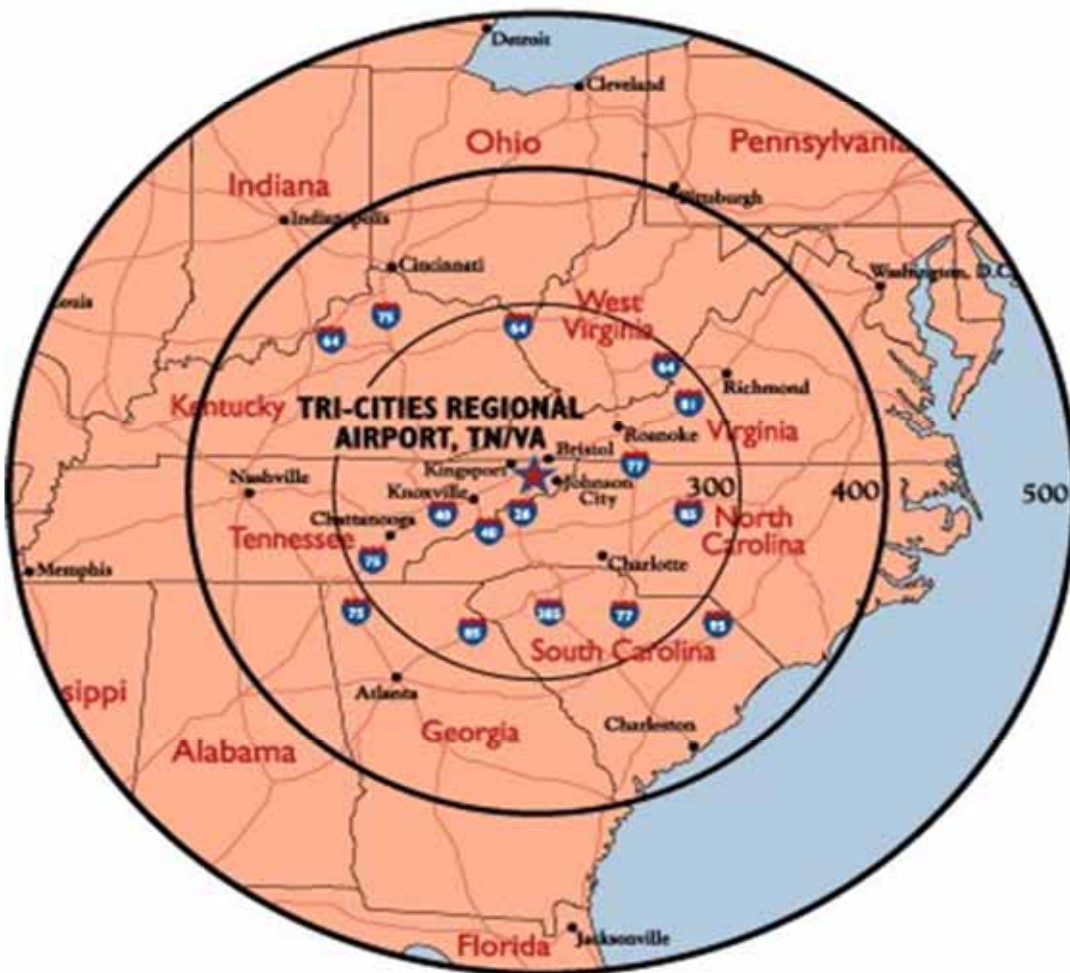


See Independent Auditors' Report.

Tri-Cities Airport Authority

**TABLE 22:
Location of Airport**

Tri-Cities Airport is centrally located between the cities of Bristol, Tennessee, Bristol, Virginia, Kingsport, Tennessee, and Johnson City, Tennessee. The Airport serves Northeast Tennessee, Southwest Virginia, North Carolina and Kentucky.



See Independent Auditors' Report.

Tri-Cities Airport Authority
TABLE 23:
Capital Asset Information
as of June 30, 2017

Land and Facilities:	1,250 acres of land and 89 acres in easements	
Elevation:	1,519 feet above mean sea level	
Airport Code:	TRI = FAA or IATA code (ICAO code = KTRI)	
Runways:	ILS Instrument Runway 5/23 - 8,000 feet x 150 feet (Category II) Secondary Runway 9/27 - 4,442 feet x 150 feet	
Terminal:	Airlines - Exclusive/Joint Use	13,193 sf
	Airlines - Common Use	15,278 sf
	Concessions	13,787 sf
	Public/Common	34,681 sf
	Administration	10,316 sf
	Mechanical	15,366 sf
	Other Leaseable	10,911 sf
	Total	<u>113,532 sf</u>
	Number of Passenger Gates	7
	Number of Loading Bridges	2
Apron:	Number of Concessionaires	3
	Number of Rental Car Agencies	3
	Commercial Airlines	100,200 sq yds
	Cargo Airlines	174,000 sq ft
	FBO	57,800 sq yds
Parking Spaces:	Long-Term	727
	Short-Term	247
	Surface Overflow	210
	Metered	0
	Employee	103
	Ground Transportation	157
	Total Parking Spaces	<u>1,444</u>
Cargo:	Air Cargo Logistics Center	13,000 sq ft
International:	U.S. Customs Station No. 2027	
	Foreign Trade Zone No. 204	
Tower:	TRACON	Open: 6:00 am - 11:59 pm 365 days per year
FBO:	Tri-City Aviation, Inc.	85,000 sq ft Hangar
		12,000 sf ft Climate Controlled Hangar
		21 Tie-Downs and 21 Plane Ports
		10,000 sq ft FBO Terminal
Corporate:	5 Hangars	
Fuel Facilities:	15,000 gallon AVGAS 100 LL	
	40,000 gallon Jet A	

See Independent Auditors' Report.

Internal Control and Compliance

- Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters
- Independent Auditors' Report on Compliance - Uniform Guidance
- Schedules of Findings and Questioned Costs
- Independent Auditors' Report on Compliance - PFC
- Schedule of Findings and Questioned Costs - PFC



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Commissioners
of the Tri-Cities Airport Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Tri-Cities Airport Authority (the Authority), as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 1, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


To the Honorable Commissioners of
Tri-Cities Airport Authority
Independent Auditors' Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

December 1, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Commissioners
of the Tri-Cities Airport Authority

Report on Compliance for Each Major Federal Program

We have audited the Tri-Cities Airport Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the fiscal year ended June 30, 2017. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

To the Honorable Commissioners of
Tri-Cities Airport Authority
Independent Auditors' Report on Compliance for Each Major
Program and on Internal Control Over Compliance

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2017.


Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

December 1, 2017

TRI-CITIES AIRPORT AUTHORITY
SCHEDULE OF PRIOR FISCAL YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2017

Finding Number	Finding Title	Status
-------------------	---------------	--------

FINANCIAL STATEMENT AUDIT

There were no prior fiscal year findings reported.

MAJOR FEDERAL PROGRAMS AUDIT

There were no prior fiscal year findings reported.

TRI-CITIES AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2017

SECTION I - SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the Tri-Cities Airport Authority.
2. No material weaknesses were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Tri-Cities Airport Authority were disclosed during the audit.
4. No material weaknesses relating to the audit of the major federal awards programs are reported in the Schedule of Findings and Questioned Costs.
5. The independent auditors' report on compliance for the major federal award programs for the Tri-Cities Airport Authority expresses an unmodified opinion. All funds paid and property or services transferred were paid in a manner consistent with 49 U.S.C. paragraph 47107(b) and FAA's Policy and Procedures regarding the use of airport revenue.
6. No audit findings relative to the major federal award programs for the Tri-Cities Airport Authority, which are required to be reported in accordance with 2 CFR section 200.516(a), are reported in this Schedule.
7. The program tested as a major program was the Airport Improvement Program CFDA #20.106.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Tri-Cities Airport Authority was determined to be a low-risk auditee.

SECTION II - FINANCIAL STATEMENT AUDIT

Current Year Findings

None Reported.

SECTION III - MAJOR FEDERAL AWARD PROGRAMS AUDIT

Current Year Findings

None Reported.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE**

To the Honorable Commissioners
of the Tri-Cities Airport Authority

Report on Compliance for Passenger Facility Charge

We have audited the compliance of the Tri-Cities Airport Authority (the Authority), with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the Guide) for its passenger facility charge program for the fiscal year ended June 30, 2017.

Management's Responsibility

Management is responsible for compliance with the requirements of laws and regulations applicable to its passenger facility charge program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for passenger facility charges based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. However, our audit does not provide a legal determination of the Authority's compliance with those requirements.

Opinion on Passenger Facility Charge Program

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to the passenger facility charge program for the fiscal year ended June 30, 2017.

To the Honorable Commissioners
of the Tri-Cities Airport Authority
Independent Auditors' Report on
Passenger Facility Charge Program


Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the passenger facility charge program. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements of laws and regulations pertaining to the passenger facility charge program as a basis for designing our auditing procedures for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance with the requirements of laws and regulations pertaining to the passenger facility charge program.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of the Guide on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that material noncompliance with a compliance requirement of the Guide will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of the Guide that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.


BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

December 1, 2017

TRI-CITIES AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PASSENGER FACILITY CHARGE PROGRAM
June 30, 2017

I. Summary of Auditors' Results

- i. An unmodified report was issued on the financial statements of the Tri-Cities Airport Authority.
- ii. No instances of noncompliance were disclosed by the audit on the Authority's financial statements.
- iii. An unmodified opinion was issued on compliance for the passenger facility charge program.

II. Financial Statement Findings

There were no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

III. Passenger Facility Charge Program Findings

There were no findings related to the passenger facility charge program.